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## Correspondence

respecting

# THE BRITISH COMMONWEALTH (GENERAL)

(Australia, Canada and Newfoundland, Eire,  
New Zealand, South Africa, General)

## PART 1

January to December 1947

(Continued from  
"Correspondence respecting British Commonwealth Affairs," Part 1)



# TABLE OF CONTENTS

No. and Name	Date	SUBJECT	Page
<b>Chapter I.—AUSTRALIA</b>			
1 Mr. Williams ... (Canberra) No. 570	1946 Dec. 24	Working of Labour administration ... Political background behind the deferment of the Government decision in connexion with the ratification of the Bretton Woods Agreement	1
2 Communicated in Canberra despatch No. 100	1947 Feb. 5	The peace treaties ... Statement by the Prime Minister criticising the proceedings at Paris in connexion with the peace treaties with Italy, Roumania, Bulgaria, Hungary and Finland	5
3 Mr. Williams ... No. 121	Apr. 15	Position of the Labour Party ... Set-back in the State elections in South Australia and Western Australia. Factors in the loss of prestige suffered by the Government	5
4 Mr. Williams ... No. 145	May 7	Communism ... Growing public awareness of the disruptive influence and increase of power of the Communist Party in Australia	9
5 Mr. Williams ... No. 181	May 31	Political situation ... Result of New South Wales and Queensland State elections. Current political conditions and events	12
6 Mr. Williams ... No. 190	June 5	Social conditions ... Development of Commonwealth social services and provisions of present Bill. Fall in the birthrate	14
7 Mr. Hankinson (Canberra) to Sir J. Stephenson	June 9	Foreign policy ... Statement by the Australian Minister for Foreign Affairs in the Federal House of Representatives on 6th June	16
8 Mr. Williams ... No. 209	June 18	Commonwealth Parliament activities ... Business of the fifteen weeks' session concluded on 6th June. Bill to increase parliamentary allowances. Matters during the recess	26
9 Mr. Williams ... No. 221	July 3	Annual Conference of New South Wales Labour Party ... Speech by the Prime Minister	28
10 Mr. Williams ... No. 259	Aug. 19	Tour of States by the Commonwealth Prime Minister ... Prominence given in public speeches to question of economic aid to Great Britain	30
11 Mr. Williams ... No. 266	Aug. 26	Wage-pegging and economic controls ... Policy of the Australian Government	33
12 Mr. Williams ... No. 345	Nov. 20	Political situation in Australia ... Labour defeat in the Victoria general election, primarily as a result of the Commonwealth Government's policy for the nationalisation of banking. Review of the position of the Labour Party in the Commonwealth, and of the considerations involved in the pursuit of its banking policy	35
13 Mr. Williams ... No. 367	Dec. 10	Australian foreign policy ... Debate in the House of Representatives on the statement tabled by Dr. Evatt on 6th June	38
14 Mr. Williams to Sir E. Machtig	Dec. 10	Australian foreign policy ... Appreciation of three main trends, viz.: (1) that arising from fear of attack from the north; (2) Pacific imperialism and (3) that arising from the connexion with the United Kingdom	42



No. and Name	Date	SUBJECT	Page
--------------	------	---------	------

## Chapter II.—CANADA AND NEWFOUNDLAND

## (A) CANADA

	1947		
15 Mr. Malcolm MacDonald	...	Canada in 1946 ... .. Political portrait	45
16 Sir A. Clutterbuck (Ottawa) No. 20	Jan. 22	Foundation of Canadian policy in world affairs ... .. Lecture by Mr. St. Laurent at the University of Toronto. Its value as a whole, and in respect of passages on Commonwealth co-operation and relations with the United States	52
17 Mr. Garner ... (Ottawa) No. 23	Jan. 29	Provincial taxation ... .. Progress of the Federal Government's attempts to reach separate tax agreements with individual provinces	59
18 Mr. Garner ... No. 100	Mar. 31	Treatment of races ... .. General background	61
19 Mr. Garner to Sir J. Stephenson	Apr. 29	Canada and the Pan-American Union ... .. Present state of opinion	63
20 Sir A. Clutterbuck No. 147	May 14	Immigration policy ... .. Government statement	65
21 Sir A. Clutterbuck No. 153	May 28	Gold and dollar position ... .. Canadian balance of payments with the United States	67
22 Sir A. Clutterbuck No. 170	June 6	The Maritime Provinces ... .. Speaking tour by the United Kingdom High Commissioner. Devotion in the Maritimes to Britain and the British heritage	69
23 Mr. Tory ... (Ottawa)	June 12	Annual Study Conference of the Canadian Institute of International Affairs ... .. Impressions of Mr. Tory	73
24 Sir A. Clutterbuck No. 172	June 13	Visit of President Truman to Canada ... .. Report	75
25 Sir A. Clutterbuck No. 190	June 28	Roman Catholic community ... .. Report on the Marian Congress, held in Ottawa from 18th to 22nd June	77
26 Sir A. Clutterbuck No. 268	Oct. 7	Canadian armed forces ... .. Policy of the newly-unified Defence Ministry. Recruitment campaign	79
27 Sir A. Clutterbuck No. 279	Oct. 20	Canada's position in international affairs ... .. Speech by Mr. St. Laurent, Secretary of State for External Affairs. Warning of possible resort by the Government to some measures of regimentation and direction of the domestic economy	80
28 Sir A. Clutterbuck No. 284	Nov. 6	Political situation in Canada ... .. Government victory in the York-Sunbury by-election on 20th October. Restoration of Liberal Party confidence and Government strength by successive by-election victories. Present political picture and possibility of Mr. King's retirement and succession by Mr. St. Laurent	83
29 Sir A. Clutterbuck No. 295	Nov. 27	Canadian immigration policy ... .. Developments in liberalisation. The Ontario scheme	85
30 ... ..	Dec. 8	European situation ... .. Statement by Mr. Mackenzie King in the Canadian House of Commons on his visit to Europe	87

## (B) NEWFOUNDLAND

	1947		
31 House of Lords Debates (Extract) 15089 36145	May 13	Form of Government, and British policy ... .. Statement by the Secretary of State for Dominion Affairs	90



No. and Name	Date	SUBJECT	Page
32 Communicated in Ottawa despatch No. 185	1947 June 25	Future Government Statement by Mr. Mackenzie King in the Canadian House of Commons on 23rd June regarding forthcoming discussions with a Newfoundland delegation on the possibility of federal union between Newfoundland and Canada	91
33 Sir A. Clutterbuck No. 285	Nov. 7	Confederation of Newfoundland with Canada ... Canadian Government's offer	93
34 Sir A. Clutterbuck No. 302	Dec. 2	Confederation of Newfoundland with Canada ... Canadian public opinion on the offer. Criticism from the Premier of Quebec. Concern of Quebec regarding the future of Labrador	96

## Chapter III.—NEW ZEALAND

35 Mr. Costar ... (Wellington) No. 210	1947 Aug. 11	Proposed abolition of the Legislative Council ... Debate on the second reading of the Bill in the House of Representatives	98
36 Mr. Costar ... No. 309	Nov. 17	Political situation in New Zealand ... Review of developments during the past year	99

## Chapter IV.—SOUTH AFRICA

37 Mr. Sedgwick ... (Pretoria) No. 434	1946 Dec. 28	Racial policy ... Local reactions to decisions of the United Nations General Assembly. Speeches by General Smuts	103
38 (1) Mr. Sedgwick ... (Capetown) No. 3 Opdom. Saving. (Supplementary) Tel. (2) Sir E. Baring ... (Capetown) No. 4 Opdom. Saving. (Supplementary) Tel.	1947 Jan. 22 Jan. 29	South-West Africa, and Indians in the Union ... Debate in Parliament on Nationalist motion Union's relations with India ... Overseas opinion of the Union	106 107
39 Sir E. Machtig to Sir E. Baring	Feb. 22	Indians in the Union of South Africa ... Notes on the discussions in the United Nations Assembly at New York	108
40 Sir E. Baring ... No. 58	Mar. 10	Royal visit to Cape Town and neighbouring districts ... Report	118
41 Sir E. Baring ...	Mar. 17	Future of South-West Africa, and treatment of Indians in the Union ... Note on the attitude of the Union Government to the United Nations resolutions	123
42 Sir E. Baring ... to Sir E. Machtig	May 6	Political situation ... Review of recent trends	127
43 Sir E. Baring ... No. 125	May 16	Royal visit to South Africa ... Report	129
44 Sir J. Kennedy ... (Salisbury) No. 121	May 16	Royal visit to Southern Rhodesia ... Report	133
45 Sir E. Baring ... (Pretoria) No. 155	June 12	Deportation of Germans from South Africa ... Report of the investigating commission appointed by the Union Government	135



No. and Name	Date	SUBJECT	Page
46 Lord Inverchapel ... (Washington) No. 1485	1947 June 24	Royal visit to South Africa ... Reactions in the United States. Significance attributed to the visit as a far-reaching contribution to a new orientation of British Commonwealth strategy	137
47 Sir E. Baring ... No. 160	June 27	Union Parliament activities ... Report on the concluding weeks of the third session (18th January to 15th February) and on the fourth session (21st February to 5th June)	140
48 Sir E. Baring ... No. 198	June 23	Royal visit to Swaziland ... Report of events. Comparison between the organisation of the visit in the High Commission territories and in the Union	143
49 Sir E. Baring ... No. 199	June 23	Royal visit to Basutoland ... Report of events	144
50 Sir E. Baring ... No. 291	Aug. 20	Royal visit to Bechuanaland Protectorate ... Report on the events of 16th and 17th April	147
51 Sir E. Baring to Mr. Noel-Baker	Oct. 31	Conditions in the Union in 1947 ... Survey	148
Chapter V.—GENERAL			
52 To Mr. Shepherd ... (Helsingfors) No. 24	1947 Feb. 13	Dominions intelligence ... Desirability and possibility of compiling and circulating to His Majesty's representatives abroad a periodical intelligence summary dealing with British Commonwealth Affairs	153

## SUBJECT INDEX

[The figures denote the serial numbers of documents]

- |   |   |
|---|---|
| <p>AUSTRALIAN ECONOMIC POLICY—11.</p> <p>AUSTRALIAN PARLIAMENT—<br/>Proceedings during session ended 6th June—8.</p> <p>AUSTRALIAN STATE ELECTIONS—<br/>South and Western Australia—3.<br/>New South Wales and Queensland—5.<br/>Victoria—12.</p> <p>BRETTON WOODS AGREEMENT—<br/>Delay in ratification by Australia—1.</p> <p>CANADIAN ARMED FORCES—26.</p> <p>CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS—<br/>Annual Conference—23.</p> <p>COMMUNIST ACTIVITIES IN AUSTRALIA—4.</p> <p>CONDITIONS IN SOUTH AFRICA, 1947—51.</p> <p>CONFEDERATION OF NEWFOUNDLAND WITH CANADA—<br/>Canadian offer—33.<br/>Canadian public opinion—34.</p> <p>FINANCIAL CONDITION OF CANADA—<br/>Gold and dollar position—21.</p> <p>FOREIGN POLICY OF AUSTRALIA—7, 13, 14.</p> <p>FOREIGN POLICY OF CANADA—16, 27.</p> <p>GERMANS IN SOUTH AFRICA—<br/>Report of investigation commission—45.</p> <p>GOVERNMENT OF NEWFOUNDLAND—<br/>Statement by Lord Addison—31.</p> <p>IMMIGRATION POLICY OF CANADA—20, 29.</p> <p>INDIANS IN SOUTH AFRICA—38, 39.</p> <p>MARIAN CONGRESS AT OTTAWA—25.</p> <p>MARITIME PROVINCES OF CANADA—<br/>Tour by Sir A. Clutterbuck—22.</p> <p>NEWFOUNDLAND—<br/>Debate in the Canadian House of Commons—32.</p> <p>NEW SOUTH WALES LABOUR PARTY—<br/>Annual conference—9.</p> | <p>NEW ZEALAND LEGISLATIVE COUNCIL—<br/>Proposed abolition—35.</p> <p>PAN-AMERICAN UNION—<br/>Canadian attitude—19.</p> <p>PEACE TREATIES—<br/>Australian views—2.</p> <p>POLITICAL PORTRAIT OF CANADA FOR 1946—15.</p> <p>POLITICAL SITUATION IN CANADA—28.</p> <p>POLITICAL SITUATION IN NEW ZEALAND—36.</p> <p>POLITICAL SITUATION IN SOUTH AFRICA—42.</p> <p>REPORTING OF BRITISH COMMONWEALTH AFFAIRS TO<br/>MISSIONS ABROAD—52.</p> <p>ROYAL VISIT TO SOUTH AFRICA—<br/>General account—43.<br/>Reactions in the United States—46.<br/>Basutoland—49.<br/>Bechuanaland Protectorate—50.<br/>Cape Town—40.<br/>Southern Rhodesia—44.<br/>Swaziland—48.</p> <p>SOCIAL SERVICES IN AUSTRALIA—6.</p> <p>SOUTH AFRICAN PARLIAMENT—<br/>Account of activities—47.</p> <p>SOUTH-WEST AFRICA—<br/>Future Government—38.</p> <p>TAX AGREEMENTS WITH CANADIAN PROVINCES—17.</p> <p>TOUR OF AUSTRALIA BY MR. CHIFLEY—10.</p> <p>TREATMENT OF RACES IN CANADA—18.</p> <p>UNITED NATIONS CRITICISM OF SOUTH AFRICA—<br/>Reactions in the Union—37.<br/>Government attitude—41.</p> <p>VISIT OF MR. MACKENZIE KING TO EUROPE—30.</p> <p>VISIT OF PRESIDENT TRUMAN TO CANADA—24.</p> |
|---|---|



No. and Name	Date	Page
46 Lord Inverchapel ... (Huntington) No. 1482	June 24 1947	143
47 Sir E. Baring ... No. 148	June 27	140
48 Sir E. Baring ... No. 148	June 28	143
49 Sir E. Baring ... No. 149	June 28	144
50 Sir E. Baring ... No. 151	Aug. 20	147
51 Sir E. Baring ... No. 151	Aug. 20	148
52 To Mr. Sheppard ... (Huntington) No. 15	Feb. 13 1947	153
[The figures denote the serial number of documents]		
Australian Economic Survey—1		
Australian Parliament—session ended on June 8		
Australian State Elections—		
South and Western Australia—3		
New South Wales and Queensland—5		
Victoria—11		
Barton Woods Agreement—		
Delay in ratification by Australia—1		
Canadian Armed Forces—35		
Canadian Institute of International Affairs—		
Annual Conference—21		
Commonwealth Activities in America—4		
Commonwealth Survey of Africa 1947—31		
Cooperation of Ireland and with Canada—		
Canadian offer—23		
Canadian public opinion—34		
Financial Committee of Canada—		
Gold and silver position—24		
Foreign Policy of Australia—14		
Foreign Policy of Canada—15		
Foreign Policy of Australia—14		
German in South Africa—		
Report of investigation commission—42		
Government of Newfoundland—		
Statement by Lord Adam—41		
International Policy of Canada—30		
India in South Africa—36		
Maritime Provinces of Canada—		
Tour by Sir A. Clouston—22		
Newfoundland—		
Debate in the Canadian House of Commons—22		
New South Wales Labor Party—		
Annual conference—8		
Government of Canada—		
Visit of President Truman to Canada—34		
Government of Canada—41		
Ratification in the Union—37		
Relations in the Union—37		
Treatment of Negro in Canada—		
Talks to students by Mr. Clouston—30		
Relations with Canada—30		
Foreign Government—30		
Government of Africa—47		
Report of African Union—		
Relations to the United States—40		
Canadian survey—41		
Report of the Canadian Survey of Africa—31		
Case law—40		
Canadian public opinion—34		
Political situation in South Africa—30		
Political situation in New Zealand—30		
Political situation in Canada—30		
Political situation in Canada for 1946—17		
Australian views—3		
Peace Treaty—		
Canadian attitude—19		
Pan-American Union—		
Proposed abolition—37		
New Zealand Legislative Council—		
(continued)		



**CONFIDENTIAL**

## **CORRESPONDENCE RESPECTING THE BRITISH COMMONWEALTH (GENERAL)**

(AUSTRALIA, CANADA AND NEWFOUNDLAND, EIRE, NEW ZEALAND, SOUTH AFRICA,  
GENERAL)

**PART 1—JANUARY TO DECEMBER 1947**

(Continued from "Correspondence respecting British Commonwealth Affairs,"  
Part 1)

### **CHAPTER I.—AUSTRALIA**

W 243/25/68

No. 1

#### **BRETTON WOODS AGREEMENT: RATIFICATION DEFERRED**

*Mr. Williams to Lord Addison. (Received in Dominions Office 6th January, 1947)*

(No. 570) *Canberra,*  
My Lord, *24th December, 1946*

As I have had the honour to report in recent telegrams the decision of the Commonwealth Government in connexion with the ratification of the Bretton Woods Agreement has been deferred until next year and my purpose in this despatch is to call attention to the political background which is behind this decision.

#### **Legislation Procedure**

2. This incident provides an interesting example of the working of the system of checks imposed upon the executive by the Labour Party which is a fundamental point in Australian Labour Party policy. A Labour administration is required by the constitution of the party to submit policy matters for the decision of Caucus (*i.e.*, the Labour members of both Houses of Parliament; the term "Caucus" is accepted as casting no reflection on the *bona fides* of the Labour Party) before legislation is introduced into Parliament, and Caucus in turn takes its instructions from the Inter-State Conference of the party, which frames the party policy, and between conferences from the Federal Executive of the Australian Labour Party. The final decision on matters of policy rests, therefore, not in the hands of Parliament or the Cabinet (itself elected by Caucus), but in the hands of the members of the political Labour Party, who, in turn, can be overruled by the party organisation outside Parliament.

3. There is, therefore, an entirely different arrangement in Australia from that which exists in the United Kingdom. In Australia the rank and file of the Labour Party as organised at the lowest scale in the local Labour Leagues, retains control of policy through, progressively, the Interstate Labour Party Conference, the Australian Labour Party Executive, Caucus and Cabinet. Caucus selects the leader and deputy leader of the party and also the members of the Ministry, although the Prime Minister can allot portfolios among selected Ministers as he pleases. In the United Kingdom, on the other hand, the Prime Minister is not directly chosen by the party and is free to select his own Ministers. There is, of course, some similarity in the practice of making statements of Government policy to the Trades Union Congress (and in the case of other parties to the party conference), but the connexion between the party and the Government is far less close than it is in the case of Australia. Moreover, in the United Kingdom the Government once appointed is entirely responsible for its decisions, though it would no doubt ensure that such decisions and legislation came within the broad framework of party policy as laid down at the annual conferences. There is, however, no parallel in the United Kingdom for a Government once appointed being under the direction and orders of any body outside Parliament. There have on occasion been attempts on the part of the executive of the Trades Union Congress to claim the right to direct the policy



of the Government on particular matters, but such attempts have always been resisted strongly by the Parliamentary Labour Party and have been unsuccessful. It will be remembered that it was one of the claims put forward by Mr. Churchill at the election in 1945 that a Government formed by the Labour Party, if elected, would be under the direction of the Executive Council of the Labour Party, a body outside Parliament not responsible to the electors as a whole. Judging by the recent events in connexion with the Bretton Woods Agreement, this is exactly the position in Australia to-day. Ministers are not responsible to Parliament and Parliament alone, but to a body outside Parliament, which is a negation of parliamentary government.

4. For a Government to have to submit proposed legislation to Caucus before its introduction into Parliament is quite foreign to United Kingdom ideas and is a condition which would not, it is thought, be tolerated. The result of this practice, as the Opposition have frequently pointed out, is to make a farce of parliamentary debate. For example, when the Re-establishment and Rehabilitation Bill was before Parliament last year the Opposition in committee put forward several constructive amendments, all of which, in the first instance, were met with a blank refusal by the Minister in charge, presumably on the ground that the Bill in the form in which it was introduced had been approved by Caucus and could not be altered without their consent. Some of the Opposition suggestions were later incorporated in the Bill either by amendments on the same lines moved by Ministers or during the passage through the Senate. Parliament has, in fact, become an institution not where legislation brought forward by the Government is discussed and remodelled in the light of the views of representatives of the people as a whole, but a body to which legislation in its final form is presented merely in order that the forms of legislative enactment may be complied with and the representatives of the non-Labour electorate allowed to express their views on legislation without the remotest hope that anything they may say will have any influence on its final form. From this situation arises the tendency on the part of the Prime Minister and other Ministers to treat Parliament somewhat cavalierly and to curtail discussion which, in their view, is largely irrelevant since it cannot affect the issues. All sessions of the Federal Parliament tend to start slowly

and to work up to a grand crescendo during the last few days of the sitting, marked by the despatch of a tremendous amount of business which, regardless of its importance, is dealt with in unseemly haste. But even the worst incidents which have occurred in the past pale before the use of the guillotine in the sitting just closed to secure the passage through Parliament in about eight hours of the whole of the estimates (amounting in all to a total of over £400 million). As the Leader of the Opposition said only one hour was allowed for discussion of the Departments of the Interior, Works and Housing, Civil Aviation, Trade and Customs, Health, and Commerce and Agriculture, and "the whole proposal that consideration of the manner in which the gigantic sum of £440 million is to be expended should be limited drastically is a disgrace to this Parliament." The Government, in short, regard Parliament purely as a machine for giving effect to legislation agreed upon outside Parliament, and the Leader of the Senate, far from seeing anything peculiar about this arrangement, has been heard to refer in glowing terms to the expedition with which the machine worked during the last days of the recent session when legislation passed through the House with the ease of a machine shelling peas.

#### **Attack of Government to the Agreement**

5. But to return to the case of the Bretton Woods Agreement. There has been no debate in Parliament on this matter and Opposition requests for a debate have been evaded by the Government, although the Opposition are now told that they could have had a debate on a motion for printing, a poor rejoinder seeing that subjects however important are rushed through in the last days of the session after which all items on the order paper automatically lapse. The fact is that the Prime Minister, who was well aware of the growing opposition within his own party to the ratification of the agreement, has been unwilling to have the matter raised in Parliament in the certain knowledge that some of his own Ministers would speak against ratification, and although he himself is apparently now satisfied that the merits of the agreement outweigh its disadvantages, he has put off a decision in the hope of converting the dissentients. The result is that in the absence of any very clear understanding of what the agreement stands for, either on the part of the general public (which is not surprising) or of the Members of Parliament on



both sides of the House, those members of the Government who are opposed in principle to international co-operation in financial matters, have been able to take full advantage of the traditional suspicion with which the Labour Party regard international financial arrangements by playing upon fears that the effect of the Bretton Woods Agreement will be to hand Australia over to the tender mercies of international financiers. Mr. Ward, the Minister for Transport, who is the spear-head of the opposition in the Labour Party to the agreement, in addition to making public speeches, was allowed to broadcast an attack on the agreement to which no reply has been made, and when the Opposition have asked whether Mr. Ward has been expressing Government policy, the Prime Minister has replied that Mr. Ward speaks only for himself and that Government policy will be made known by the Prime Minister in due course. Mr. Ward's arguments against the ratification of the agreement are:—

- (i) that the declared objectives of the agreement, expansion of trade, improved living standards, high levels of employment, are nothing more than a "mendacious sugar-coating to a pill as bitter as anything conceived by Sir Otto Niemeyer";
- (ii) that it means a reversion to the gold standard and this, since the bulk of the world's gold reserve is in American hands, means American domination;
- (iii) that American pleas that expansion of world trade means higher standards of living are insincere;
- (iv) that the International Bank can dominate, or at least greatly influence, a member nation's internal policy.

For some of these arguments Mr. Ward is able to claim support from statements made by the Commonwealth's expert advisers.

6. The Prime Minister was eventually able to obtain a majority in Cabinet in support of ratification, and the matter was then submitted with the Cabinet's recommendation in favour of adoption to the Federal Executive of the Australian Labour Party, who concurred by a narrow majority, which was only made possible because the representatives of one State, persuaded by the Prime Minister's personal appeal, voted in favour of ratification contrary to the instructions which they had received. The Cabinet

recommendation with the endorsement of the Federal Executive was then submitted to Caucus, which, after what is understood to have been a stormy debate, declined to give a decision and referred the matter to a special Inter-State Conference of the Australian Labour Party. It is suggested that this conference may decide against ratification unless the Prime Minister makes the decision a test of leadership which is thought to be unlikely. It is worth noting that had the decision been left to a free vote of Parliament a majority in favour of ratification would almost certainly have been obtained. It has been noted that Russia, Spain, Portugal, Switzerland and New Zealand have failed to ratify the Bretton Woods Agreement which encourages the view that sanctions could not be imposed and, with healthy sterling balances and sufficient dollars to carry on a restricted import programme, serious results are not anticipated. But the fact that in the long run Australia may have to restrict imports dangerously may discourage the Australian Labour Party Conference from definitely closing the door.

7. It is claimed on behalf of the Labour Party that it is quite in accord with democratic principles for a matter of such importance as the Bretton Woods Agreement to be referred to the rank and file. Caucus is, in fact it is contended, seeking a mandate before committing itself, and reference of the matter to the Inter-State Conference is held to be a proof that unlike other parties the Labour Party has an articulate rank and file organisation to consult.

8. There is no doubt that the Prime Minister, by the refusal of Caucus to adopt a Cabinet recommendation backed up by the Federal Executive of the Australian Labour Party, has suffered a severe rebuff at the hands of Mr. Ward and his friends and that the vote must also be regarded as one against the centre policy of his Government. Hitherto the Prime Minister has managed to carry Caucus with him on all major matters and one has to go back to 1941 for a similar instance of a Prime Minister suffering a defeat in Caucus—namely, Mr. Curtin on the issue whether the militia should serve outside Australia. In the latter case, however, it was a question of changing a long-established plank of Labour policy, whereas, in the present case, ratification of the Bretton Woods Agreement might have been regarded as a logical corollary to Australia's intense awareness of her position in international affairs. In that sense, the Bretton Woods



decision is also a rebuff to Dr. Evatt and his policy for Australia to play a prominent part in international relations. Incidentally, Dr. Evatt, in supporting the ratification of the agreement, is acting against the wishes of his own constituency party machine, and has been warned by Mr. Ward that this will not be forgotten when the question of his selection as a candidate at the next election arises.

9. Mr. Ward has undoubtedly strengthened his position and the significance is now seen of the support which he received in Caucus in the vote for the election of the Deputy Leader. Under his influence Australia may revert to isolationism in international financial relations. The suspicion that Mr. Ward was not likely to delay long in pushing his advantage was shown to be justified by an incident during the last week of the parliamentary sitting when Mr. Ward, from a back bench, moved that the question be put to terminate the discussion on a clause of a Bill which the Attorney-General was piloting through the House, a discussion which Dr. Evatt himself had no intention of gagging. In other words, Mr. Ward was trying to take the conduct of the business of the House out of the hands of the Minister in charge—an obvious attempt, which succeeded, to embarrass Dr. Evatt. It was observed that before Mr. Ward took this action he was in close and earnest conversation with Mr. Lang, the former Premier of New South Wales, whose activities during the session have been a further source of embarrassment to the Government and to the Prime Minister in particular (see in this connexion my despatch No. 554 of 4th December). It may be that it was the combined result of these happenings in the parliamentary sphere and the undoubted restiveness on the industrial side of Labour which caused the Prime Minister to hesitate to force the matter of approval for Bretton Woods through and to pursue the same tactics as in his election campaign of letting "facts" speak for themselves.

10. These happenings raise the issue of collective Cabinet responsibility from two angles. The first is the freedom allowed to a member of the Cabinet to criticise publicly a particular line of action both

before and after it has been agreed upon by a majority of the Cabinet, and the other is the course taken by several Ministers in opposing in Caucus an agreed Cabinet decision. Caucus deliberations are supposed to be secret, but the press have revealed that several Ministers voted against ratification. The Minister for Transport (Mr. Ward) and the Minister for Immigration (Mr. Calwell) have made no secret of their opposition, but those who voted against are said to include the Minister for Labour, Mr. Holloway, and the Minister for Air, Mr. Drakeford, and the former is said to have taken an active part in opposing ratification. Even since the decision was taken to refer the question of Bretton Woods to a special Australian Labour Party Conference, Mr. Ward has delivered a further speech opposing ratification. The position appears to be, therefore, that Ministers are not prepared to abide by decisions taken by Cabinet, and instead of taking the course open to them of resigning, conduct public propaganda against a Cabinet decision. Mr. Drakeford and Mr. Holloway have always been regarded as being members of the Prime Minister's Right-wing group and Mr. Drakeford is a member of the same union as the Prime Minister. There is some reason to believe, therefore, that there is a serious risk of division in the party, and the question is being asked how long the Prime Minister can afford to accept easily and without a fight a reverse like this—his first defeat in Caucus. Although the adjournment of the House prevents any immediate developments it is abundantly clear that Mr. Ward will not allow much time to pass before trying his strength again, although both he and the Prime Minister must be only too well aware that it is internal divisions within the Labour Party which have, in the past, led to the defeat of Labour Governments.

11. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

E. J. WILLIAMS.

In the latter case, however, it was a question of changing a long-established plank of Labour policy, whereas in the present case ratification of the Bretton Woods Agreement might have been regarded as a logical corollary to Australia's intense awareness of her position in international affairs. In that sense the Bretton Woods

support of ratification was a narrow Labour Party issue, which was only made possible because the representatives of one State, namely, the United Kingdom, had personally appeared in favour of ratification contrary to the instructions which they had received. The Cabinet



W 3196/25/68

No. 2

**STATEMENT BY THE PRIME MINISTER, THE RIGHT HON.****J. B. CHIFLEY***(Communicated in Canberra Despatch No. 100 of 5th February; Received in Dominions Office 8th April)***Peace—Italy, Roumania, Bulgaria, Hungary, Finland—Treaties**

The signature of treaties of peace with Italy, Roumania, Bulgaria, Hungary and Finland, will take place at Paris on 10th February, 1947. Cabinet to-day decided to accept an invitation by the French Government, acting on behalf of the Council of Foreign Ministers, to send representatives to sign the treaties.

Australia's fundamental long-term interest in Europe is a durable over-all peace. Judged as a contribution to this end, the treaties cannot be regarded as adequate. Many problems, such as frontier adjustments and, in particular, reparations, have been solved on the basis of expediency and without regard to basic principles or to the effect of the solutions on Europe as a whole. Moreover, no provision has been made for reviewing any provisions of the treaties which experience may prove to have been erroneous. At the Paris Conference the Australian Delegation submitted a number of proposals designed to eliminate these weaknesses. Because the powers of the Conference freely to amend the treaties were fettered some of these proposals could not be considered on their merits.

The method of preparing the treaties was by no means satisfactory. It denied to those nations, like Australia, which took

an active part in the war a full share in framing the peace. The initial drafts of the treaties were prepared exclusively by the Council of Foreign Ministers. Those drafts were then considered at the Paris Conference by all effective belligerents, but only under conditions which prohibited the right of full and free amendment. Such recommendations as were made by the Conference were subject to final review and, in many cases, subsequent alteration by the Council of Foreign Ministers.

At Paris, the Australian Delegation made a strong fight in favour of the right of active belligerents, like Australia, to fuller participation. Such a stand was necessary to ensure that Australia would have a full voice in the more important settlements with Germany and especially Japan. It might be argued that by signing these treaties, Australia would necessarily accept the procedure used at Paris, and thus weaken the case for fuller participation in later settlements, although our right to participate as a principal in the negotiations for the Japanese settlement is indispensable. However, there is no real substance in this contention.

Signature of the treaties will involve recognition of the Governments of these five ex-enemy States. In general, the treaties adequately safeguard Australia's short-term interests.

W 3200/25/68

No. 3

**THE STATE ELECTIONS***Mr. Williams to Viscount Addison. (Received in Dominions Office, 22nd April)*

(No. 121)

Canberra,

My Lord,

15th April, 1947

I have the honour to report that the State elections recently held in South Australia and Western Australia have resulted in a set-back to the Labour Party. In South Australia the non-Labour Government—which has been the only non-Labour Government in Australia—has strengthened its position by gaining four seats from Labour and now has a majority of seven over all other parties combined.

The Liberal and Country Parties in this State also control the Legislative Council. In Western Australia, where, except for one period of three years (1930–33) a Labour Government has been continuously in power since 1924 and where a Labour Government has come to be accepted as part of the natural order of things, the Government has lost its majority and a non-Labour Government has been formed. Labour controls the Legislative Council in Western Australia.



2. These two reverses, following the falling off in the Labour vote at the Federal elections last September and at the Tasmanian elections which were held in November, have been hailed by the Opposition parties as signs that the tide is beginning to run against Labour. In Tasmania, after a period of twelve years of office, the Labour Party lost four seats in the Legislative Assembly. The Opposition controls the Legislative Council in that State. The Labour Government in New South Wales at present has a handsome majority in the Legislative Assembly (57 out of 90 seats) but has no control of the Legislative Council, where it holds only 28 of 60 seats. In Queensland the position at present is that Labour has 38 seats out of 61 in the Legislative Assembly. There is no second Chamber in Queensland. To complete the survey of the position in the States, in Victoria Labour holds 32 out of 65 seats in the Legislative Assembly and Mr. Cain's Ministry is kept precariously in office by the support of two Independents. The Liberal and Country Parties control the Legislative Council in Victoria.

3. The Federal Opposition are naturally making the most of the result of recent State elections, from which they are deriving considerable encouragement and are looking forward with some hope to the elections in New South Wales and Queensland, which are both to take place on 3rd May. State elections tend, of course, to be fought on local issues, and it is not unknown for the electors to vote for one party at the State elections whilst maintaining in office a Federal Government of the opposite party. Uneasiness over State rights is a large factor in State elections and the Liberal and Country Parties in the course of the State election campaigns have emphasised the subservience of State Labour Governments to the Federal Government. A good many people apparently feel that a non-Labour Government in the State is some safeguard against encroachment by a Federal Labour Government on the sovereign rights of the State. The results of the three State elections which have taken place since last November do, however, suggest that many who have supported Labour during the past few years are, for one reason or another, transferring their allegiance. There is no doubt that the public have been much aggravated by the inconveniences and shortages which they have been called upon to suffer owing to continuous industrial disturbances, and have been disappointed in the hope, which

was widely held last September, that a Federal Labour Government would be likely to be more successful in bringing peace to industry than would any other Government. The policy of "appeasement" adopted by the Government to deal with industrial disturbances and the failure to enforce legislation which they themselves have passed to deal with the situation has led to a feeling of frustration on the part of a growing section of the people. The housing situation shows little or no signs of improvement, opportunities for securing overseas markets are being lost, the plans announced by overseas firms for starting industries in Australia are being thwarted, workers are being laid off owing to shortage of materials, and overseas and coastal shipping is being held up. Whether any other Government would have done any better in handling the post-war industrial problem is, of course, a matter for speculation, but so far as the electors are concerned this is not material.

4. Apart, however, from the industrial situation, the Government have in other directions lost prestige. The recent appointments to positions of importance of members of the Labour Party who were unsuccessful at the last election and the appointment made to another high office have lost them some support. The Government have also alienated sympathy by their attitude towards the suggestion put forward by Sir Earle Page that a substantial gift of food should be made to Britain. Three times in one week the Government moved the closure on the debate which Sir Earle Page endeavoured to initiate in Parliament on this proposal, which has received widespread support from press and public. The Australian people have been genuinely stirred by the accounts which they have received of the additional hardships and probably reduced rations imposed on the people of the United Kingdom on account of the recent abnormal weather conditions. It may be that a gift of food would not result in any additional shipments of food and that the Government consider that in making a gift of £A.25 million in reduction of the sterling balances in London they have given the most practical help within their power. But the man in the street looks upon this gift purely as a book entry which will not put any more food on the Englishman's breakfast table and, by blocking all attempts at a debate on this subject, the Government have aroused the suspicion that they and the Labour Party were lacking in sympathy for Britain in her



troubles and that they were not prepared to bestir themselves to assist her. Thousands of people are spending considerable sums of money in sending food parcels to the United Kingdom. When the news of the late crisis became known the outward food parcel mail to the United Kingdom rose to 75,000 a month, and later to 115,000 parcels a month (the Sydney Post Office alone is stated to be handling 24,000 parcels a month), and special appeals are being made for funds. The reaction of the public in these circumstances is: "if we can buy food and pay postage on parcels, why can't the Government organise a free gift of food on a large scale." The Government would probably have been much wiser to have permitted this matter to be thrashed out in public and to have shown their critics, if they were able to do so, that they were not lacking in sympathy and that the position was as the Prime Minister stated it to be in Parliament in the previous week, that all the food that Australia can possibly send is being sent to Britain. On this issue, however, the Government were not unnaturally nervous at the attack to which they were open on the ground that valuable shipping was being held up in Australian ports by strikes which the Prime Minister has himself described as "unwarranted and unfortunate." The Opposition contend that it is useless for the Prime Minister, with ships standing idle, to say, as he has done, that more food is being offered to Britain than there are ships to transport it. The latest developments in the United Kingdom have increased the public clamour that some real contribution should be attempted to help Britain's food situation, and the most recent statement by the Prime Minister is to the effect that the Government was doing all that it could "having regard for what we are doing for our own people," and that if Australians wanted more food to go to Britain they should eat less themselves and thus provide greater surpluses of food, which could then be shipped.

5. The recent wharf strike in Sydney on the eve of the New South Wales election has caused both the State and the Commonwealth Governments serious concern. In an effort to work off the backlog of accumulated cargoes the Stevedoring Commission, which was established by the Government to bring order to the waterfront, asked the unions to direct the men to work three hours' overtime on three days a week. The men refused and offered to admit to the union another 500 men. The commission declined this offer and ordered overtime to

be worked. The men were on strike for a fortnight, during which time nearly 100 ships (fifty of them overseas ships) were held up in Sydney Harbour. Efforts to spread the strike to other States failed, but the dislocation in the transport of necessary food-stuffs was rapidly leading to a nationwide shortage of potatoes, sugar, salt and flour and was, of course, holding up shipments of food to the United Kingdom. A public meeting organised by State Members of Parliament advocating the use of volunteer labour was broken up by the strikers (led, it is alleged, by Communists). Some arrests were made and in many editorials the Government was attacked. The strike has now been settled by the intervention of the Federal Government with a formula which gives the men all they want but saves face by calling for overtime by the men on two days a week. The inconveniences caused by the strike and the method of settlement have further embarrassed the Government.

6. The substantial tax reductions recently announced (which were overshadowed by the wharf strike) have failed to earn the Government much credit. One of the main issues between the parties at the last general election was the question of reduced taxation. The Opposition parties claimed that the financial condition of the country was such as to justify a substantial cut in taxation, whilst the Prime Minister, despite some uneasiness among his followers as to the wisdom of his policy, at first steadfastly refused to commit himself, maintaining that taxation cuts would only lead to inflation, but later promised to consider periodically the possibility of taxation reduction in the light of the budgetary position. The Opposition contended that the increased national income following the return of members of the armed forces to civil life and the stepping up of production would result in higher yields of taxation than that estimated in the budget, and figures of revenue published since the election have been quoted by the Opposition as substantially justifying their claim. Pressure on the Government from all sources has continued since the election to reduce taxation, and when the interim basic wage increase was announced in December last, even within the Labour Party the view was expressed that the wage earner would benefit more if the real value of wages was increased by some relief in taxation instead of an addition to wages, which would be speedily absorbed by increased prices. Preliminary announcements began to appear in March that Cabinet, subject



to Caucus approval, had prepared tax reduction plans, and the Federal Parliamentary Labour Party have now approved Cabinet recommendations for considerable cuts in income tax and social service contributions to take effect on 1st July. The new cuts are substantial and give major benefit to the small or moderate wage earner amounting to 100 per cent. remission on some low incomes to approximately 10 per cent. on the highest incomes, the overall average reduction being 23 per cent. New rates of income tax, as distinct from social service contribution, will begin when the income reaches £250 instead of £201 at present. The reductions are estimated to cost £33 million and, together with the reductions made last year, will reduce the total tax payable by the majority of taxpayers to less than half their war-time tax.

7. The taxation reductions have been given a somewhat grudging reception. They are welcomed as a real attack on the task of relieving the heavy burden borne by the community during and since the war, but the delay in announcing them and the fact that they do not come into operation until 1st July, coupled with the increase in prices which has already taken place as the result of the increased basic wage which operated from December last, have taken much of the gilt off the gingerbread. It is admitted, however, that if prices can be held in check during the coming financial year the reduced tax will be an appreciable factor in mitigating strain and discontent. It is also unfortunate for the Government that the announcement of the tax concessions should have coincided with the wharf strike.

8. Simultaneously with the tax reductions further improvements in social service benefits have also been announced. Pensions are to be increased by an all-round rise of 5s. a week, making old-age and invalid pensions 37s. 6d., widows' pensions 32s. to 42s. 6d. according to circumstances, service pensions 37s. 6d. a week with additions for dependants, totally and permanently incapacitated servicemen £5 1s. a week plus additions for dependants, war widows £2 15s. a week with 17s. 6d. for the first child. At the same time the Prime Minister has presented to Caucus a plan for a National Superannuation Scheme to provide benefit for everybody, although it will be a year before this scheme is ready to present to Parliament. This scheme is estimated to cost £43 million.

9. In one direction the Government have found some little relief. The threat of internal disruption as the result of the

activities of Mr. Ward, the Minister for Transport, and his supporters seems to have lessened. Mr. Ward led the opposition in Caucus and in the country to the ratification of the Bretton Woods Agreement, and it was only the personal appeal of the Prime Minister that eventually secured Caucus approval for the ratification. When the Bill to ratify the agreement was before Parliament it was found that the recalcitrant members had toed the line and the only opposition came from Mr. Lang (the former Premier of New South Wales) and one or two members of the Country Party. Although Mr. Ward did not go so far as to take part in the debate, he retired to his room during the division on the second reading. By his failure to record a vote, Mr. Ward has not only offended against the party rules, but those who supported him in his opposition in Caucus, but voted with the party in favour of the second reading, feel that Mr. Ward has let them down. Mr. Ward is generally thought by his actions to have thrown away his chance of future leadership of the party, and Mr. Rosevear, the Speaker, is now considered to be the most serious contender for that position.

10. I consider, however, that the greatest danger to the future of the Labour Party and the one which is giving the Government the most uneasiness is to be found in the unruly elements in the industrial wing. The continuous disturbances which occur in monotonous sequence—one is no sooner settled in favour of the strikers than another breaks out somewhere else—are directed not against employers but against the arbitration system and the Government itself. They are designed to bring pressure to bear on the Government, first in one place and then in another, to override the law or to force amendments to the present legal system for settling industrial disputes and adjusting wages. The Government, unable or unwilling to take a firm stand, is forced, in order to avoid breakdowns in the country's economy, to make the concessions which are demanded. The militants within the trade unions can rely on some support for their policy of direct action within the political Labour Party, and the Prime Minister has been fighting a losing battle in an endeavour to hold the position. For a long time he stubbornly resisted demands for the abolition of wage-pegging regulations, insisting that prices could not be held in the face of rising costs of production. Much against his judgment he was forced to accept basic wage increases last December and certain modifications of the wage-pegging regulations, but did his best to



safeguard the price-level by endeavouring to have the increased costs borne by industry. He has now been forced to take a further step and on 3rd April announced the decision to relax further the wage-pegging regulations by conferring on all Commonwealth and State industrial authorities the power to alter wage rates in any type of case provided the Chief Judge of the Commonwealth Court first certified that he was satisfied that an alteration was not opposed to the national interest. This decision, in view of the Prime Minister's previous attitude, has come as a considerable surprise and has, it is suggested, been influenced by the difficult position in which the Government of Victoria finds itself, and the fear that the two independent members who hold the balance of power in the Victorian Parliament will be forced by public opinion to withdraw their support of the Labour Government unless something is done to ease the industrial situation. The forthcoming State elections have also no doubt a bearing on this decision, and it is no doubt hoped that the further relaxation of wage-pegging regulations may serve to lessen industrial discontent, save the Victorian Government from defeat and have some effect on Labour fortunes at the elections.

11. The Labour Party was put into office by the votes of "politically-unattached" people, who wanted, more than anything else, industrial peace; continued industrial disturbances lose the Government votes. Every strike, every failure to settle a dispute, through the orderly channels provided, every threat to disrupt the life of the community if this or that demands is not granted, causes more people to ask

whether a Labour Government is, after all, the kind of Government to ensure peace in industry. As it is, every improvement in wage conditions and hours of labour leads to further claims; the legal machinery for hearing these claims is disregarded or decisions which do not grant fully the claim made are flouted and the advice of responsible industrial and political leaders ignored. This spirit of lawlessness is fomented by Communist elements always ready to fish in troubled waters and, when the more sober elements in the unions wish to call a halt they are finding it ever more difficult to do so. The Prime Minister, in his recent financial statement, again stressed the necessity for increased production per unit, but the fact is that with increased wages and with shorter working hours go serious and persistent under-production of goods, and a widening fringe of under-employed as well as unemployed and displacement because of industrial stoppages. In spite of the Prime Minister's efforts the position gets further and further out of control, and if he were to surrender or to be forced from the leadership there seems no doubt that the succession would fall to the Left wing. The general impression given is that the real government of the country in industrial matters has been taken out of the hands of the Government by the unions.

12. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

(For the High Commissioner),  
W. C. HANKINSON.

W 3735/25/68

No. 4

## COMMUNIST PARTY IN AUSTRALIA

*Mr. Williams to Viscount Addison. (Received in Dominions Office, 14th May)*

(No. 145)

My Lord, *Canberra, 7th May, 1947*

I have the honour to report that there has for some time been a growing public awareness of the disruptive influence and increase of power of the Communist Party in Australia. Whilst its impact is more obvious in the industrial sphere (where the policy of Communist-controlled unions is seen to be directed more and more against the Labour Governments of the country rather than against the employers) the

revelations of the Canadian Royal Commission, which have only comparatively recently been available here for perusal *in extenso*, have focussed public attention upon the dangers of Communist infiltration in other fields.

2. On the 7th March, Mr. Abbott, the Country Party Member for New England, moved a motion on the adjournment of the House upon the necessity of taking adequate precautions against the leakage of secret information to any foreign Power



in connexion with the rocket trial experiments about to take place in Australia; the motion also referred to the findings of the Canadian Royal Commission. In moving the motion, Mr. Abbott drew attention to the obvious need for greater secrecy in preventing any possible leakage of information connected with the rocket project. He did not suggest that the Government had not taken all possible steps, but he referred to some of the disquieting aspects of the international situation and particularly to the experience in Canada. He quoted extensively from the report of the Canadian Royal Commission, and stressed, in particular, the methods of Communist infiltration through scientific bodies, such as the Canadian Association of Scientific Workers, which was said to have the closest liaison with similar bodies through the empire, including the Australian Association of Scientific Workers. It was very essential, in the view of Mr. Abbott, that there should be an enquiry in Australia to find out whether those associated with such bodies in Australia were Soviet agents. This gave Mr. Abbott an opportunity of reviving criticism of the appointment of Mr. Mountjoy, a former Labour Member from Western Australia who lost his seat in the last elections, and who has recently been appointed to the Executive of the Council for Scientific and Industrial Research. There followed a list, not necessarily very relevant, of prominent Communists in various positions in Australian public life, and particularly of those in university posts. Mr. Abbott closed his speech by urging the Government to appoint a Royal Commission to enquire into Communist activities in Australia, their connexion, if any, with the Soviet Legation, and the activities of various scientific bodies and scientific workers.

3. In replying first for the Government, Dr. Evatt, Minister for External Affairs and Attorney-General, expressed himself as being in accord with the broad proposition put forward by Mr. Abbott. He opened with a claim that the rocket project was solely defensive with no aggressive aspect whatever. The experience of the recent war showed that it was absolutely necessary for countries to be prepared against weapons of mass destruction, but parallel with that they must develop the machinery for peace. So far as the rocket project was concerned, the main point of the proposal contained in the motion was that proper caution should be taken and the warning notes struck by Mr. Abbott were very proper. If Australia were to profit by the experience of Canada they

must take the greatest precautions and Dr. Evatt wished to point out two things. In the first place, if Australia's secret work was to be continued effectively, there could be no suggestion of improper interference with the liberties of the people. The job had to be done in the interests of the defence of the Commonwealth, and must not be condemned and decried as unnecessary. In the second place, the Security Service must be properly managed, and Dr. Evatt pointed out that, when the estimates came before the House, there was criticism as to their being too many people employed; in Dr. Evatt's view there were too few. Upon the recommendation of the Public Service Board additional positions had been created to strengthen the present service.

4. Several of the succeeding speakers referred to the well-known tactics of the Communist Party in capturing the leading posts in the trades unions—colloquially known as "white-anting"—which is a source of great and increasing embarrassment both to the orthodox trades union movement and also to both State and Federal Labour Governments. Apart from Dr. Evatt, Mr. Dedman, Minister for Defence, Minister for Post-war Reconstruction and Minister in Charge of the Council for Scientific and Industrial Research, and Mr. Calwell, the Minister for Information and Immigration, both spoke in view of their departmental interests—the first in connexion with the Council for Scientific and Industrial Research and Defence, and the second, as being responsible for checking the *bona fides* of immigrants. In common with all other members, they agreed the necessity for a close surveillance of the rocket project and defence activities generally, though they did not consider that a Royal Commission would serve any useful purpose. In this connexion, it was pointed out that the Royal Commission in Canada had only been able to operate in view of the revelations made by Gouzenko; without similar information at its disposal, it was argued that a Royal Commission would find itself impotent in carrying out any useful investigations. Apart from the personalities provided by Mr. Mountjoy's appointment, the only source of disagreement between the parties was on the merits of appointing a Royal Commission and the motion was, in due course, talked out.

5. The matter, however, has not been allowed to die by the press, who welcomed the motion on the grounds that it drew public attention to what had happened in Canada, and what might happen in Australia, and urged the Commonwealth to redouble its vigilance. Those news-



papers, mainly of the less responsible kind, that had recently been indulging in criticism (usually of a half-hearted anti-semitic nature) of the type of migrant that had recently been arriving in the Commonwealth, were able to use the debate as a useful peg upon which to hang demands for a more rigid inspection of migrants. Nor was the motion lost upon the Soviet Legation which, in view of the reference in the debates to its large staff, issued a statement giving its present reduced, but still impressive, size.

6. The subject was given a further lease of life by the reports from the United States of President Truman's statement upon the elimination of Communists from the United States Civil Service, which was followed within a few days by a report from London to the effect that a number of prominent civil servants had been asked to resign following upon investigations. At about the same time, an ugly incident occurred in the Domain, Sydney, an area long regarded as the sacred preserve of soapbox orators, in the best Hyde Park tradition. On this occasion a meeting called by a member of the Legislative Assembly to devise measures to counter the wharf strike that was then paralysing the waterfront was broken up by a crowd allegedly led by Communists, and considerable personal injury was inflicted upon a number of participants. Whilst this particular incident did not extend beyond the industrial sphere, it was one more reminder of the percolation of the Communist Party through all organisations. As a result of these happenings, further crops of leaders and special articles appeared in the press. Readers were reminded of the disruptive tactics of the Communist Party in Germany during the Weimar régime, which helped the establishment of the Nazi power, and of their equivocal attitude in this country towards the war until Russia was attacked. The State, it was argued, had a duty of self-preservation, and where reasonable grounds of suspicion exist, it could not permit enjoyment of democratic privilege to be used as a cloak for espionage. The dilemma of the democracies when faced with the prospect of having to curtail civil liberties was fully recognised, but such a policy must be adopted if democracy itself is to survive.

7. The only note which was not in full accord with that of the press and politicians came from Sir David Rivett, chairman of the Council for Scientific and Industrial Research, when speaking at the annual Commencement Ceremony of the Canberra University College. Everyone

present at that ceremony, he said, possessed at least a spark, or maybe a flame, of that divine curiosity which compels men to seek for knowledge, and ultimately for explanation, of all the puzzling circumstances by which he finds himself surrounded. It was, he maintained, our unavoidable duty to act in accordance with that innate desire to know how things work and why, but the pursuit of knowledge demanded a high degree of intellectual honesty. In certain large investigations it might be essential that the responsibility should be shouldered by the nation as a whole, but tragedy entered when Governments and others fixed their attention only on the last stages of the application of knowledge and failed to recognise the necessity to keep the springs of knowledge flowing at the source. In war it might be inevitable; in peace, it was surely inadvisable. He continued that, in these matters there was a certain pleasure and honour in contributing to the fountain source. Germany had been the first to put the fetters of secrecy on many of her scientific men and other countries in due course had followed this evil example. It might have been hoped that the day of victory would bring a restoration of the old freedom. He hoped, therefore, that where scientists were to be condemned to secrecy, their investigations could be handed to Government laboratories, arsenals and proving grounds, and that, if national sovereignty demanded the right to prepare secretly for the destruction of other sovereignties, those who took the responsibility of making a decision to that effect must keep their projects clear of these national scientific institutions in which the traditional freedom of science must be maintained. When it came to nuclear investigations it must be recognised that atomic energy was a fact of nature which could not be kept secret for long. The only hope was to be found in international control, as long as control is called for, and there could not be international control where there was national secrecy. Sir David recognised that the whole problem was not merely one of science or technology, but of the ethical standards in which relations between nations were conducted; not the control or adaptation of nature, but the stability and adequacy of the social order were the clamorous needs of our day. The speech has inevitably lost much of its force as a result of severe condensation, but in reading the whole it provided a strangely refreshing experience to meet a lucid exposition of the true scientific outlook after the morass of verbiage and conflicts



of loyalty to which the subject is normally condemned.

8. Applications for a number of positions in the Commonwealth Investigation Branch have recently been invited in the *Commonwealth Gazette*, and, in reply to a question in the House relating to a check on Communist activities of members of the Public Service, the Attorney-General said that security safeguards were under careful review, but that it was undesirable to disclose specific security activities. Such statements might be regarded as sufficient evidence of the Government's assurances of increasing vigilance. There is, however, some reason to believe that these measures are, in fact, only a very half-hearted attempt to deal with a problem that few would doubt exists. Incidentally it may be mentioned that the Commonwealth Security Organisation, which was built up during the war, has now been disbanded and the Commonwealth Investigation Service has reverted to a purely civilian organisation similar to that which existed before the war, whose main duty appears to be the oversight of aliens. Dr. Evatt, under whom, as Attorney-General, this department comes, is known to have strong views concerning security measures in time of peace, which he considers should be a pure civil function.

9. Mr. Abbott, who has constituted himself the spearhead of the attack upon Communist activities, is inclined to overstate a case, which suffers in consequence. But there can be no doubt that in the indus-

trial field there is every cause for concern at the effect of Communist activities. Their policy of encouraging and fomenting strikes, which have little direct connexion with conditions of labour or terms of employment, in key industries where the maximum of disruption in industry and inconvenience to the public is likely to be caused can only be designed to bring about a breakdown of the present social system. This was made evident by Mr. E. Thornton, the Federal Secretary of the Ironworkers' Association, and the most influential Communist in the industrial field, who said recently that he objected to long drawn-out strikes, and that if the workers could not achieve their aims by short strikes other means would have to be adopted. Outside the industrial sphere, *e.g.*, in the Australian Broadcasting Commission and in the universities, there is distinct evidence of Communist infiltration. How far Mr. Abbott's allegations concerning Communist influence in the Public Service are justified it is difficult to say, but it is known that a member of the Department of External Affairs (who has now left to take up a position with the United Nations) was a director of Marx House in Sydney.

10. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

(For High Commissioner)

W. C. HANKINSON.

W 4627/25/68

No. 5

### AUSTRALIA: NEW SOUTH WALES AND QUEENSLAND STATE ELECTIONS RESULTS

*Mr. Williams to Viscount Addison. (Received in Dominions Office 10th June)*

(No. 181. Confidential)

My Lord, *Canberra, 31st May, 1947*

With reference to my despatch No. 121 of 15th April, I have the honour to report that the result of the New South Wales and Queensland State elections held on 3rd May was that the Labour Government in both States was again returned to office, although with reduced majorities. In New South Wales, where Labour before the elections held 57 of the 90 seats in the Legislative Assembly, a majority of 24 over the combined Opposition parties, the Government has been returned with a majority of 16, a net loss of four seats. In

Queensland, where a Labour Government has been in power for twenty-two years, except for one break of two years during the depression, the Government has suffered a net loss of two seats, reducing its majority from 14 to 10. Labour Governments therefore remain in power in all States except South Australia and Western Australia, although the position of the Labour Government in Victoria is still very precarious.

2. The Labour Parties in New South Wales and Queensland have reason to be very satisfied with these results. Some loss of seats was expected, and, although in a



number of seats the margin which gave the Labour Party victory was a narrow one, the number of seats lost does not suggest that anything in the nature of a pronounced swing away from Labour is taking place. New South Wales and Queensland together represent more than half the electors of Australia and they elect more than half the members of the House of Representatives in the Commonwealth Parliament. The result of these elections is, therefore, of national interest. They show that, whilst the peak of enthusiasm for Labour may have passed, public opinion is still overwhelmingly in support of the Labour administrations and that, whatever imperfections may be found in Labour Governments, the electorate is not yet prepared to risk a change. The result in New South Wales is particularly significant. That State, more than any other, has suffered from industrial disturbances, and the main attack of the Opposition was directed against the alleged inability of the Federal and State Governments to cope with industrial disorder. But the Government has lost fewer seats than even Labour spokesmen were prepared to accept before the poll.

3. As has been suggested on previous occasions the prospects of the Opposition are affected, and will continue to be affected, by the existence of two separate parties—the Liberal Party and the Country Party. The electors cannot but fail to be confused by the spectacle of two parties with almost identical programmes running candidates against one another, and yet appealing to the electors to return them to form a Liberal-Country Party Government. If these parties, the electors may well think, cannot get together before an election to agree on a common policy and not to oppose one another in the constituencies, what prospect is there for their sinking differences and working harmoniously as a Government if returned to power? There is not the slightest prospect of either of these parties ever being able to form a Government on its own; they know that the most they can hope for is that they will together hold sufficient seats to give them a majority and that a Coalition Government is the only alternative to Labour. The various attempts made in the past to secure a fusion of the two parties have failed, but the experience of the past few years suggests that the three-party system is not acceptable to the electors and that until the Liberal and Country Parties can combine with a common platform there is little prospect of their fortunes recover-

ing. But even if the Opposition parties could present a united front it is doubtful whether the Labour Government would be seriously endangered. So long as Australia continues to enjoy the present prosperous conditions there is no particular reason why the electors should wish to make any change. Anything in the nature of a depression would result in a considerable swing against the Government in office, but the only serious danger to Labour remaining in office indefinitely which can be seen at present is if the Labour Party were to break up owing to difference on policy, as it has done in the past, and if the more moderate elements were to make common cause with the present Opposition. The tendency of Federal politics has been, as elsewhere, continuously to the Left, but the rapidity of the movement periodically causes a reorientation of parties, the more orthodox group breaking away to join up with the Right (and, of course, bringing that party more to the Left), with the result that Labour goes into Opposition for a time to return later, when, after a period in office, the same process is repeated.

4. In June the new Senators who were elected last October will take their seats and the Upper House will then contain only three Opposition members. As Labour Senators must follow the strict party line as laid down by caucus, the Senate will cease to be able to perform its proper function as a safeguard for the rights of the States and will merely confirm decisions taken in the Lower House and act as a rubber stamp. This situation must inevitably raise the question whether the present methods of election of Senators ought not to be amended so that the Senate may more accurately represent the electorate than it does at present. The cause of the present anomalous situation (which has occurred before) is that Senators represent the State as a whole and are elected on a State ticket (*i.e.*, all three Senators from each State must be of the same party)—half the Senate retires every three years—and it is being suggested that without some system of proportional representation and voting for individual candidates the Senate is doomed to extinction.

5. It has been announced that caucus has approved of the increase of the salaries of Federal Members of Parliament from £1,000 per annum to £1,500 per annum and that legislation will be introduced to give effect to these changes as from 1st July. Members of the Federal Parliament have had no increase in their



Parliamentary salaries since 1920, whereas it is pointed out that most Parliaments of the British Commonwealth have received increases in salaries during and since the war; that the increase in the case of the House of Commons was £500 a year tax free and that members of the Canadian Parliament have received an increase of 2,000 dollars, also tax free. The proposal has been criticised in some quarters on the ground that the legislative body should not increase its own salaries while any vestige of wage pegging remains, but it is pointed out that wage pegging has now been eased to such an extent that it practically no longer exists. The Opposition parties are stated to be divided as to the attitude they should adopt towards the proposal. It seems generally agreed that those members (and in the Labour Party they form the majority) who have no other source of income than their pay as Members of Parliament find it extremely difficult, owing to the many demands upon them, to make ends meet.

6. The Federal Cabinet, following a decision of the Federal Parliamentary Labour Party, are engaged in preparing a plan to enlarge the membership of the Commonwealth Parliament. The Constitution provides that the House of Representatives shall contain approximately twice the number of members as there are in the Senate and it is stated that the proposals to be considered are either an increase in the Senate membership from

36 to 48 and in that of the House of Representatives from 75 to 100, or an increase in the number of Senators to 60 and of the House of Representatives to 120. The Government is committed to a redistribution of seats in the House of Representatives after the census to be taken in June, and there is a possibility that the change in the membership of Parliament may take place at the same time. All parties are in favour of the change. In 1901, when the membership of the House of Representatives was fixed at 75, there were 1,900,000 electors; there are now 4,466,000 and the average electoral roll contains 60,000 names. Constituencies have therefore increased in voting power two and a half times their original size, while Parliament has not increased its membership for 46 years. New Zealand, with a population of 1,600,000, has a Lower House of 80 members; the Canadian House of Commons has 245 members. With an increased membership Parliament would offer a wider field for the selection of Ministers and committee work could be better organised.

7. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom Representative to Eire.

I have, &c.

E. J. WILLIAMS,

*High Commissioner.*

W 5017/25/68

No. 6

### AUSTRALIA: COMMONWEALTH SOCIAL SERVICES

*Mr. Williams to Viscount Addison. (Received in Dominions Office 11th June)*

(No. 190) Canberra,  
My Lord, 5th June, 1947

With reference to my Saving telegram No. 217 of 3rd July, 1946, on the subject of Commonwealth Social Services, I have the honour to report that a Bill was introduced into the Senate on 15th May to consolidate the law governing invalid and old age pensions, widows' pensions, maternity allowances, child endowment and unemployment and sickness benefit. This legislation is designed to consolidate in one Act the various measures of social legislation which have been passed over a period of years and also to give effect to the

general 5s. a week increase in pensions as from next July. Copies of the Bill and of the second reading speech of the Minister for Health are enclosed<sup>(1)</sup>.

2. In 1939 the only two forms of Commonwealth social benefits available in Australia were invalid and old age pensions (at the rate of 21s. 6d. a week) and a maternity allowance (£5 to £7 10s.). The total cost of these services during the twelve months ended June 1939 was £16½ million. Child endowment at the rate of 5s. (later increased to 7s. 6d.) per week for all children under 16 after the first was introduced in 1941. Since then invalid

<sup>(1)</sup> Not printed.



and old age pensions have been increased from 21s. 6d. to the present maximum rate of 32s. 6d. and 37s. 6d. under the present Bill; widows' pensions were introduced in 1942; child allowance and funeral benefits for pensioners in 1943; maternity benefit increased to from £15 to £17 10s. in the same year; child endowment increased from 5s. to 7s. 6d. a week in 1945; unemployment and sickness benefits provided for the first time in the same year; and in 1946 the means test for invalid and old age pensioners was eased. Apart from these benefits, outside the main social service scheme provision is made for hospital benefits, allowances to sufferers from tuberculosis, national fitness grants and pharmaceutical benefits.

3. The total annual cost of social service benefits has increased from £16½ million in 1939 to an estimated figure of £72 million in 1947-48 and will soon, it is estimated, reached £100 million. Further developments are foreshadowed in the form of a national medical service.

4. The number of pensioners has increased from 327,000 in 1939 to 358,000 in 1947. Pensions cost £29½ million, *i.e.*, three-sevenths of the total expenditure on social services, although it must be remembered that since unemployment benefits were introduced there has been practically no unemployment in Australia.

5. Although the Commonwealth Social Services Scheme is described as non-contributory a special tax is levied with income tax to provide the fund from which benefits are paid. The social services contribution is at the rate of 1s. 6d. in the £1 and commences to be paid at a higher income level than income tax proper. Income tax is paid on incomes of over £2, but social services contribution is not paid until the income reaches £4 a week (in the case of a single person without dependants). Thus the scheme of social service contributions operates as a redistribution of national income, the lower income groups paying smaller contributions and receiving a larger proportion of the benefits than the higher income groups.

6. A further development in social services is indicated by the announcement made by the Prime Minister that the Commonwealth had decided to take over control and direction of all public hospitals (which are at present administered by the State Governments) as part of a scheme to relieve the acute shortage of hospital accommodation and also the bankrupt condition from which so many hospitals

appear to be suffering. Government control will include conditions of entry, training and registration of all nurses.

7. Recently published figures regarding the number of persons in receipt of social service benefits has drawn attention to the ageing character of the Australian population. The percentage of the population over 65 years has nearly doubled since the beginning of the century and the percentage of children under 15 has fallen by a third. The percentage of childless marriages has increased from 13·3 to 22·3 in thirty years, while in forty years the average number of children per marriage has fallen from four to two. The most disturbing feature is the percentage of children under 15 compared with the number of persons over 65 :—

Year	Percentage of Population	
	Under 15	65 and over
1901	35·1	4·0
1911	31·6	4·3
1921	31·7	4·4
1933	27·5	6·5
1946	24·4	7·8
1950	25·0	8·5
1975	20-22	12·0

The growth in the percentage of childless marriages is as follows :—

Period	Per cent
1911-15	13·3
1916-20	15·1
1921-25	17·9
1926-30	19·6
1931-35	21·0
1936-40	22·3

At the same time the average number of children born per marriage has been falling from 4·05 in the period 1901-05 to 2·18 in the period 1936-40 :—

Period 1901-05	Number of children
1901-05	4·05
1906-10	3·79
1911-15	3·05
1916-20	3·25
1921-25	2·88
1926-30	2·54
1931-35	2·44
1936-40	2·18

8. Commenting on these figures the Minister for Immigration said: "We are slowly bleeding to death as a nation and unless the present drift is arrested, there



probably will not be any Australians in another fifty years." Various suggestions are being put forward with a view to checking these tendencies, and it has been proposed, among other things, that marriage loans of £250 should be granted, reducible by £50 on the birth of each child.

9. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand, and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.,

W. C. HANKINSON,

For High Commissioner.

W 4601/25/68

No. 7

## AUSTRALIAN FOREIGN POLICY

Mr. Hankinson to Sir J. Stephenson. (Received in Dominions Office 16th June)

(Reference 1/100)

Canberra,

Dear Stephenson, 9th June, 1947

I enclose copies of the statement on foreign policy tabled in the House by Dr. Evatt.

2. As you will see it is a somewhat lengthy document, much of which is simply a factual summary on recent events. When passing it on to us, however, the Department of External Affairs said that they attached particular significance to the following passages :—

The German Settlement (paragraphs 70-76).

The Truman Doctrine (paragraphs 86-88).

Portuguese Timor (paragraphs 141-142).  
India (paragraphs 143-148).

In addition the External Affairs Department regard this document as a further opportunity for reiterating the Australian views upon the veto. I think I might also call your attention to the passages on Pacific and South-East Asia generally (paragraphs 89-115), and particularly to the implied criticism of the United Kingdom Government (paragraphs 89-94) for lack of interest in, and understanding of, the problems of this area; this passage was, I notice, summarised very fully in the *Sydney Morning Herald* under the headline: "Sharp Reminder to Britain." You will also notice from the passage about Portuguese Timor that the Portuguese Governor has been invited to visit Australia and is expected early this month. So far we have not heard any actual date mentioned.

3. This statement was tabled just as the House rose at 6 a.m. on 6th June, and there has therefore been no opportunity for debate or reference to it in the House. Nor has there been time for it to be digested

in the press. The only leader upon it so far is in the *Sydney Morning Herald* of 7th June, which has given general support to the main contentions upon the failure to allow Australia to play a fitting part in the treaty negotiations, and upon the special position of Australia in the South-East Asia area. Despite their differences in political views on internal matters, it would have been surprising if the *Sydney Morning Herald* had taken any other line on this question.

Yours, &c.

W. C. HANKINSON.

Enclosure in No. 7

## AUSTRALIAN FOREIGN POLICY

Statement by the Australian Minister for Foreign Affairs in the Federal House of Representatives, 6th June, 1947.

(Extract)

### (A) United Nations

#### (i) Special Session of the General Assembly on Palestine

1. Following the United Kingdom Government's request to the Secretary-General of the United Nations on 2nd April, 1947, to call a special session of the General Assembly to consider the Palestine problem, all the members of the United Nations were at once asked by the Secretary-General to state their views. Amongst the replies there was only one dissentient (Ethiopia) to the United Kingdom's proposal, which was that a special session of the Assembly be held "for the purpose of constituting and instructing a special committee to prepare for consideration of the question at the next regular session."

\* \* \*



3. The Australian representative, Colonel Hodgson, was instructed, firstly, that the special session should avoid at present discussions of the final settlement, but that a committee with wide powers of investigation should be set up to take evidence and examine such aspects of this delicate problem as it thought fit; secondly, that both Jewish and Arab representatives should be heard by the committee, which should consist of eleven to fifteen members; and, thirdly, that the committee should report to the next General Assembly meeting of the United Nations.

\* \* \* \* \*

5. The Australian policy in such matters has always been to pursue the principle of full preliminary investigation of the facts. It is the only means likely to lead the United Nations to impartial and objective decisions. For a considerable time Australia appeared to be alone in supporting this method; but recent examples have vindicated our persistence—notably in the Balkans and now in Palestine.

## (ii) Disarmament

6. In terms of the General Assembly's mandate of 14th December on disarmament, the Security Council established a Commission for Conventional Armaments on 13th February. This commission consists of all members of the Security Council, and it has the task of preparing proposals under the Charter for the general regulation and reduction of armaments and for practical and effective safeguards in connexion with such regulation and reduction. During the early discussion in the commission on the scope of the commission's work the Australian representative, in an endeavour to avoid complete frustration by disobedience of the Assembly resolution, stressed that a positive approach should be adopted to the whole problem of disarmament. Australia therefore emphasised that the obligations of all members of the United Nations should include the ultimate implementation of any disarmament scheme developed by the commission and approved by the Council and Assembly. Our representative stated that the working out of articles 43 and 53 of the Charter, with due consideration of the self-defence provisions under article 51, is a primary condition in all planning for disarmament, and that the Military Staff Committee constituted by the five major Powers should work on proposals in terms of these articles. He also stated that, concurrently with the examination by the Military Staff Committee, the commis-

sion should obey the Assembly's directive and undertake enquiries into general principles governing disarmament and an examination of the problems involved in an effective control system.

7. At the present time a sub-committee of the Conventional Armaments Commission, consisting of representatives from each of the five permanent members of the Security Council, is preparing a plan of work for the future activities of the commission.

## (iii) Military Staff Committee

8. In terms of the instruction issued by the Security Council in February of last year the Military Staff Committee has submitted to the Council a report on the military factors involved in the implementation of article 43 of the Charter. Discussion in the Council on the report has been postponed to allow further opportunity of examining the report. The substance of the report is attached as annexure A.

9. It has been pointed out by the cynics that the five major Powers represented on the Military Staff Committee are clearly of opinion that the forces which are to be placed at the disposal of the Security Council in the situations contemplated in article 43 should be sufficient only for enforcement of measures against any combination of the smaller Powers—in other words, the forces to be made available to the Security Council would never be sufficient for use against any permanent member of the Council deemed guilty of aggression.

10. This conclusion is not surprising for it follows almost inevitably from the fact that the enforcement power of the Council, to the extent that it might be directed against any one of the five permanent members of the Security Council, is subject to that member's right of veto under the Charter. The contemplated restriction of the forces provided to those sufficient for enforcement measures against the smaller Powers is merely a corollary of the major Powers' veto right, because no military force, however large, can be directed by the Security Council against any one of the Big Five except by its own consent expressed by vote in the Security Council.

11. It is now being realised on all sides that the democratic Powers should have supported the Australian proposals which attempted to limit the veto of each permanent member to enforcement measures. As it is, the threat of the veto is often suspended over comparatively minor points arising in the Security Council, *e.g.*, an



application for membership, the election of Secretary-General.

12. The British Labour Party's recent pamphlet, which sums up the British Government's policy on foreign affairs, says that: "The United Nations Organisation is by its very constitution prevented from dealing with disagreements between the Big Three; and any chance that it might have developed into an instrument for such purposes has been destroyed by the use made of the veto by Soviet Russia." The pamphlet also states that "the United Nations' Charter is, by its very constitution, formally prevented from dealing with disagreements between the Big Three." While we must agree that enforcement action under the Charter would be precluded where one of the major Powers was an aggressor, the same by no means applies "formally" to the pacific settlement of disputes provided for in chapter VI of the Charter. Here it is specifically provided that parties to a dispute shall refrain from voting, so that decisions by the United Nations against a permanent member of the Council are expressly envisaged. The truth is that the veto is exercisable and is exercised to defeat an overwhelming majority in the Security Council where a nation, likely to be adjudicated in the wrong, is a close ally or associate of a Power possessing a veto, *e.g.*, the recent dispute in which Albania was deemed to be responsible for the killing by mine field of forty-two British seamen in the Corfu Channel.

13. The same pamphlet also asserts that "so long as Russia so rigidly asserts this right (of veto), the progress of the United Nations in dealing with many fundamental problems like disarmament or the control of atomic energy will be slow." This assertion is, at present, almost incontrovertible. Finally, the pamphlet asserts that "the veto power does in fact commit the Big Three to appeasement of one another so long as action is confined to U.N.O.—a situation which puts a premium on aggressive action." Certainly the veto does assume that the permanent members will endeavour to "smooth out" their disputes *inter se*: such "smoothing out" may mean a just and reasonable settlement or it may, on the other hand, mean appeasement of the most patient or the most obstinate by the process of "compromise by exhaustion," to use General Marshall's extremely accurate phrase.

14. What the pamphlet is saying at long last in 1947 is only what nearly all the middle and smaller Powers envisaged and said in 1945 at San Francisco in the face of

unimaginative opposition from most of the major Powers. The operation of the veto has vindicated all the arguments of Australian and New Zealand leaders. As it is, the future of the United Nations may well depend more and more not upon the Security Council but upon the General Assembly of the United Nations, using the additional power and authority vested in it at San Francisco as a result of incessant and successful efforts of nations like Australia.

## (vi) Other Security Council Matters

### *Governor of Trieste*

24. No agreement has been reached between the permanent members of the Security Council in discussions on the question of the governorship of Trieste. It will be recalled that at the Paris Peace Conference the Australian delegation maintained that the selection of the Governor should be made not by the Security Council, where the veto procedure operates, but by a special body consisting of representatives of the Four Great Powers together with those of three other States chosen by the conference. Had this course been adopted the present stalemate would have been avoided.

25. This is one further illustration of the way in which the spectre of the veto keeps intruding itself to delay or obstruct the Security Council from making a decision on matters to which the veto power could never have been intended to apply. Far from achieving unanimity, the Trieste governorship is an example of the way in which the veto tends to block almost any decision unless and until the majority give way to the most obstinate. Such situations are grievously damaging to the prestige and the effectiveness of the United Nations, and in this particular case one result is the indefinite continuance of conditions of economic and political insecurity in the Trieste area.

26. The implied threat of the veto in relation to such administrative matters as the governorship of Trieste is in flagrant disregard of the General Assembly's resolution passed last December, which was substantially an Australian resolution, recommending the adoption of practices and procedures to assist in reducing the difficulties arising out of the application of the veto and to ensure the prompt and effective exercise by the Security Council of its functions. It is also proof positive of the unjustified dragging into the machinery



of the Italian peace treaty of the Security Council procedure.

27. It is, I submit, noteworthy that the British Labour Party, in its official pamphlet from which I have already quoted, has in substance supported the Australian viewpoint on the veto. The pamphlet, in fact, says: "Though it would be wrong to attack the veto in principle, since it merely represents a political reality, the Labour Government has fought continuously for some code of conduct which will restrict its damaging effects."

## (B) Europe

### (i) The German Settlement

70. The meeting of the Council of Foreign Ministers, held in Moscow from 10th March to 24th April to discuss the German and Austrian settlements, failed to reach agreement on any major issue. The most significant division of opinion concerned the treatment of Germany as an economic unit. Both the Soviet and French members of the Council attached conditions to their acceptance of this principle with which the United Kingdom and United States members could not agree. The Soviet member pressed for reparations to the value of 10 billion dollars payable both from surplus German industrial equipment and from current production, and for the discontinuance of the economic fusion of the United Kingdom and United States Zones of Occupation in Germany. Both Mr. Bevin and Mr. Marshall replied that reparations from current production had not been provided for in the Potsdam Agreement, and that, if they were taken before Germany had obtained a favourable balance of payments, the effect would be that the United Kingdom and United States, who were paying large sums to their zones of occupation for the financing of necessary imports, would be paying for Soviet reparations.

71. From the Australian point of view one of the serious aspects of the conference was its failure to agree even on a method by which other belligerents in the war against Germany could participate in the preparation of the settlement. It will be recalled that this question had been discussed by the Foreign Ministers' Deputies in London in January and February of this year. At that meeting it had been generally agreed that the methods adopted in preparing the treaty with Italy were in need of improvement. The Deputies considered that, while

the Council of Foreign Ministers should retain responsibility for preparing the draft treaty, the major Allies should be consulted during this stage. The Deputies did not agree on the methods of consultation or on the subsequent stages of the settlement.

72. At Moscow, some little progress was made. The outline of methods of consultation was agreed. It was agreed informally that representatives of belligerents should have access to the Council of Foreign Ministers in the presence of representatives of other belligerents, the latter having the right of written comment; that four permanent committees should be established for the study of major issues and for the drafting of articles thereon; and that an Information and Consultation Conference should be established which would be the channel of communicating the views of the Council of Foreign Ministers to the belligerents and of receiving their comments thereon. No agreement was, however, reached on the membership of these bodies. The Council also agreed to the holding of a peace conference with powers similar to those of the Paris Conference, but again were unable to agree on membership or voting procedure.

73. It has always been the objective of the Australian Government to ensure for the German settlement a fully democratic procedure which would include a peace conference unfettered by binding preliminary "tie-ups" between the major Powers. During the meeting in Moscow, Australia again voiced its objection to the principle of the four major Powers taking upon themselves the full responsibility for making the peace to the exclusion of countries like Canada, Australia, South Africa and New Zealand, which had played important and at times decisive rôles in the struggle against Hitlerism. It was emphasised that the Council of Foreign Ministers was never intended by the Potsdam Agreement to be more than a preparatory body, and that the procedure under discussion at Moscow, under which the Council retained the final responsibility for the German Treaty, was based on a fundamental misinterpretation of the function of the Council. This contention is based firmly on the actual terms of the Potsdam Agreement, and it is appropriate to recall the authoritative ruling on the subject made by Mr. Byrnes when United States Secretary of State on 5th October, 1945:—

"At Berlin (Potsdam) it certainly was never intended that the three Powers



present or the five Powers constituting the Council should take unto themselves the making of the final peace. The Berlin Declaration setting up the Council begins with the statement 'The conference reached the following agreement for the establishment of a Council of Foreign Ministers to do the necessary preparatory work for the peace settlements.' The Council was not to make the peace settlements but to do the necessary preparatory work for the peace settlements."

74. Australia has never accepted the succeeding development by which at the Moscow Conference of December 1945 the major Powers did in fact go beyond the plain intention of Potsdam and arrogate to themselves the final voice in drawing up the treaties of peace. Such a development has meant that, in effect, each of the four Powers has retained a veto. As I have frequently pointed out, agreement reached under such circumstances, without a genuine spirit of conciliation and an open application of the principles of the United Nations and the Atlantic Charters, is little more than "compromise by exhaustion."

75. In my opinion, history will utterly condemn the consistent efforts of a few Powers to exclude from their undoubted moral right to sit at the peace table other nations which fought in the war of 1939-45 from first to last and without whose self-sacrificing and long-sustained efforts in many crucial theatres victory would have been impossible or long delayed. If countries like Australia had not been continuously on guard and actively insistent on the rights won by the blood and treasure of their servicemen and citizens, I have little doubt that they would have been presented with an even more obvious *fait accompli* than most of the decisions of the Council of Foreign Ministers. Yet Mr. Byrnes stated definitely that the Council was formed to confine itself to preparatory work only, in connexion with the peace settlements.

76. Australia has urged, as a means of breaking up the recent stalemate at Moscow, the calling of an unfettered conference of all the active belligerents, which should assume final responsibility for the peace settlement. Such a conference would differ from the Paris Conference in that it would elect its own directing executive and certain committees which would do the detailed and continuous work of drafting. Having done this, the conference could adjourn until the preparatory work was

completed. It would not necessarily be the object of such a conference to produce a complete peace treaty as its immediate task. Australia had previously suggested that a treaty as such might not be necessary until such time as a responsible German Government is in existence, but that the solution of urgent German problems could be incorporated in the form of an interim agreement which would be, in effect, a revised and enlarged Potsdam Agreement. Australia has also emphasised that a future peace conference can avoid friction on the question of voting procedure, since in the end the belligerents must agree unanimously on what should be incorporated in the treaty. With adequate preparation and prior discussion, unanimous decisions can be reached providing always that "compromise by exhaustion" is guarded against.

#### (ii) The Austrian Settlement

77. During the Moscow meeting, the Council of Foreign Ministers also considered the draft treaty with Austria. While agreement was reached on many points, the completion of the treaty was prevented by differences of opinion between the three Western Powers and the Soviet Union over the major issues of German assets in Austria and of Yugoslav claims for reparations and for territorial adjustments in Southern Carinthia.

78. At the London meetings of Deputies the British Dominions, including Australia and New Zealand, in view of their part in the war, pressed for participation in the Austrian settlement. These claims did not meet with general support. The United Kingdom Deputy, however, proposed that when the Council of Foreign Ministers had agreed on the draft treaty, it should be circulated to all active belligerents for their comment, in the light of which the final text of the treaty would be drawn up and signed by all active belligerents. Even such an inadequate recognition of the rights of other belligerents did not receive the assent of the other three Deputies. Indeed, at the Moscow meeting of the Council of Foreign Ministers it was decided that the treaty would be drafted and signed by the four Powers alone and that the remaining belligerents would merely have the opportunity to accede to the treaty at a later date. While, therefore, Australia retains its freedom of action in relation to the treaty, it has protested against this completely unwarranted departure from the principle that those nations which took an active part in the



war should also fully participate in the peace settlements.

### (iii) Italian Colonies

80. The article in the Italian Peace Treaty concerning the disposal of the former Italian colonies is one of the least satisfactory in a treaty which was agreed to at the Council of Foreign Ministers' Conference as a result of "compromise by exhaustion." At the time of the Paris Conference the Australian delegation maintained that this question of the colonies should be decided not by the four major Powers acting alone but by a larger body including representatives of those countries like Australia, New Zealand and South Africa, which helped so much to liberate these territories and destroy tremendous enemy forces when Britain and the British Dominions were fighting a lone fight.

81. The Australian delegation proposed that the decision should be taken by a committee representing the four major Powers and three others chosen by the conference. The delegation also objected to the proposal that, failing agreement within one year, the matter should be referred for final decision to the General Assembly of the United Nations, which will include many neutral, non-belligerent and even ex-enemy States. The delegation proposed reference back to a body composed of the twenty-one belligerents.

82. Since the original proposal had already, before the time of the Paris Conference, been agreed on by the major Powers, and those Powers had bound themselves not only to support each other in every such prior agreement but to speak at the conference in favour of the acceptance thereof by the Council, it was obvious enough that the more democratic and the more just proposal of Australia was deemed unacceptable, and so, despite the undoubted historical fact that Australia, New Zealand and South Africa had contributed so much to victory over Italy in North Africa, they were excluded from the authority which could finally determine the disposition of these territories.

83. The present position, therefore, is that the Italian treaty places upon the United Kingdom, the United States, the Soviet Union and France the obligation of deciding on the disposal of the Italian colonies within one year of the coming into force of the treaty. In a declaration, attached to the treaty as an annex, the four Powers undertake to reach their decision "in the light of the wishes and welfare of

the inhabitants and the interests of peace and security, taking into consideration the views of other interested Governments." Should the four Powers be unable to reach a decision within one year, they undertake to refer the question to the General Assembly of the United Nations, whose decision will be final. The declaration adds that Deputies of the Foreign Ministers are to continue consideration of the question with a view to submitting recommendations to the Council of Foreign Ministers. The Deputies are also to send out commissions of investigation to any of the former colonies to supply the necessary data and to ascertain the views of the local population.

84. The Deputies of the Foreign Ministers have been appointed and it is expected that they will meet in London on 6th June. As stated at the Paris Conference, Australia's vital interest in the question before the Deputies has been earned on the field of battle. Hon. members will not need to be reminded in detail of the great part played by the Australian divisions in the North African campaign against Italy at the cost of very heavy casualties. The names of Bardia, Tobruk, Derna and Benghazi are now writ large in Australian history. The Royal Australian Navy also played an outstanding part in every phase of the naval fighting, while R.A.A.F. units earned fame in the same campaigns not only on their own account but also—a fact often forgotten—in the formations of the R.A.F. The Government would be failing in its plain duty to these men if any efforts were spared to ensure that the views of Australia on the future of these areas are fully heard.

85. Steps have therefore been taken to ensure that, so far as is permitted to us, Australia will participate to the full extent permissible under the terms of the treaty in the final decision on this question. While, as I have explained, the terms of the treaty in this respect are most unjust, the major Powers were at least, largely as a result of Australian pressure at the Paris Conference, directed to "take into consideration" the views of other interested Governments. It has been made clear to the Governments of the United Kingdom and the United States that before giving our views we should be in possession of all the information that will become available to the Deputies themselves as a result of sending commissions of investigation to the areas concerned. Our primary objective, therefore, is to ensure that Australia has a voice in deciding the composition and



terms of reference of the commissions, because it is essential that the data to be obtained by the commissions is adequate, relevant and unbiased, that Australia receives in good time the reports of any commissions and, finally, that our views, based on the information contained in these reports, are presented not to the Deputies but on the very highest level to the Council of Foreign Ministers.

### (C) United States of America

86. While the Moscow Conference was in session a new development in United States foreign policy became evident. The first concrete proposals under this new "Truman doctrine," as it has come to be known, were put forward in the form of a Bill submitted to and passed by Congress to afford material aid to Greece and Turkey. In the light of evidence submitted to the congressional committees which considered the Bill, and of the statements of responsible party leaders, this doctrine is interpreted as a policy of granting material assistance and moral encouragement to certain countries in need of aid if they are to resist external pressure, whether physical or ideological. Moreover, it appears that the United States Government may also be prepared to give similar support to countries in other regions than south-eastern Europe.

87. The motive behind the formulation of this doctrine can be traced to dissatisfaction with the course of international events in the last two years. It is clear that the United States Administration is determined that it will no longer tolerate the conduct of international conferences whereby lack of agreement is due to honest resistance to the policy of "compromise by exhaustion," or agreement is reached only through such illegitimate methods. The United States seems unwilling to condone any longer the manifest injustices necessarily caused by a policy of securing some solution, *i.e.*, "peace at any price." Above all, the United States shares with other democratic Governments a strong distaste for abuse of the veto in the Security Council, which, after all, is only another illustration of the same desire to force compromise or surrender by the implied threat "Either the decision will be satisfactory to us, or else there will be no decision at all."

88. When the Bill for aid to Greece and Turkey was first submitted to Congress, the principal criticism levelled against it was that it appeared to enable the United

States to take the law into its own hands and by-pass the United Nations. Therefore, in order to make the position perfectly clear, Senator Vandenberg, chairman of the Foreign Affairs Committee of the Senate, secured the passage of an amendment to the Bill which stipulated that help given by the United States should cease at the request of the Security Council or Assembly of the United Nations, or when such a request was approved by an appropriate majority of either of those bodies to secure its passage, regardless of whether a veto should be interposed by a member of the Security Council. This amendment was most significant as evidencing the conviction that if the matter had been left to the ordinary vote of the Security Council no decisions at all would have been reached owing to the practical certainty of the U.S.S.R.'s veto.

### (D) The Pacific and South-East Asia

#### Australian Responsibilities

89. Events both during and since the war have imposed additional responsibilities on Australia which concern the maintenance not only of her own, but the whole of the British Commonwealth position in South-East Asia and the Pacific. At the same time, and in no way contradictory, is the need confronting us to play our due part, for which our experience equips us, in helping the peoples of these areas achieve their legitimate aspirations.

90. These and other responsibilities have suddenly accentuated themselves. One effect of the war has been to release new nationalist forces in South-East Asia which Australian policy must take fully into account, and which must be regarded realistically and with understanding. This development has been accompanied by a combination of circumstances, resulting from Britain's extraordinarily gallant effort in the war, which has made it essential for her to review and curtail her commitments in countries adjacent to or on the lines of communication to Australia.

91. The lessening of British influence as expressed in concrete terms of forces or economic interests is one thing; but any lessening of British interest, evidenced by failure to give to South-East Asia and the Pacific their rightful place in British political thinking, is a very different thing and should be guarded against. For there are now, and there will be in the future, area problems of great magnitude which can be satisfactorily solved only if Britain, Australia and New Zealand make a joint



approach towards them, bringing to bear on them the full contribution of experience and knowledge which each has to make.

92. There is a natural tendency among some groups in the United Kingdom to become engrossed with problems of foreign policy on both sides of the Atlantic to the exclusion of problems in the Pacific and South-East Asia. The official British Labour pamphlet earlier referred to illustrates this observation. Although approaching current international problems with refreshing frankness, it cannot be said to evidence much interest, still less grave concern, in the Pacific and the Far East.

93. On a long-range view, it is essential for Britain to retain, and, indeed, develop, a real awareness of what is occurring in the Pacific and Indian Oceans, where there are many general interests to be safeguarded and where things can be achieved only by the closest co-ordination of British, New Zealand and Australian effort.

94. Co-operation of this kind presupposes that Australia for her part will continue to equip herself for her increasing regional responsibilities. On the British side, it presupposes recognition that there will be many occasions on which Australia and New Zealand, on account of their location, their special area knowledge and other factors, could be accepted as the best judge of what is best likely to preserve British Commonwealth interests in this part of the world. There has already been some application of these principles; for example, in the appointment of an Australian to represent the four British Commonwealth countries on the Allied Council in Japan, and in the appointment of an Australian as commander of the British Commonwealth occupation forces. The principle cannot be limited and will no doubt be extended.

## Japan

### (i) *Preparations for Peace Settlement*

95. It is increasingly desirable that an early peace settlement with Japan should be negotiated. We have been increasingly perturbed to notice a tendency towards the piecemeal disposal of matters that should be dealt with as a whole in a peace treaty with Japan. Australia, because of her status as one of the few major Pacific belligerents and because of her geographical position, has always insisted on her right to play a primary part in the negotiations leading to the signing of such a treaty, and I have every reason to believe that both the United Kingdom and the United States

accept the interpretation of Australia's status as a necessary party principal to the Japanese settlement.

96. Having regard to these factors, as well as to Australia's representation of British Commonwealth interests on the Allied Council in Japan, we recently took the initiative in proposing a preliminary conference among the British countries concerned in the Japanese settlement. We also proposed that the venue of this conference should be in the Pacific—Canberra was suggested as the actual meeting place. Negotiations along these lines are still proceeding, Australia's point of view is being considered, and it is hoped that agreement will soon be reached. Naturally we are anxious that representation at this conference should be on the highest possible level.

97. Meanwhile close study of the problems involved in a peace treaty with Japan has been going on for a considerable time in a Preparatory Working Group for the Pacific Settlement, which committee is under the distinguished chairmanship of Sir Frederic Eggleston, with his special experience as Australian representative both in China and in Washington. The committee is engaged in the direction of research and in the preliminary analysis of policy. Its members are equipped with expert knowledge of the Pacific. In their analysis of policy they will work in the light of the principles of the Japanese armistice and those of the United Nations and the Atlantic Charter.

98. As the Prime Minister has recently stated, it is plain that the future control and supervision of Japan will be the most important question for the peace conference to decide. By no pretext should Japan be permitted to imitate the example of Germany after World War I, and again emerge as a menace to the security of the Pacific or South-East Asia. The preparatory committee is giving particular attention to this question in its deliberations, and has considered the feasibility of proposing the setting up special machinery of control and inspection in order to ensure the implementation of the terms of the peace treaty that is eventually signed with Japan.

99. But a merely negative policy towards Japan would be quite inadequate. There is no reason why the Japanese people, provided always that there is adequate control, should not gradually develop into a peaceful democratic State. Constructive reform of Japan's social, political and economic pattern is equally important, and particular stress is being laid on the formulation



of provisions to deal with review of the Japanese constitution and the gradual democratisation of that country, including the continued encouragement of trade unions, progressive reform of the educational system and a more drastic reform of the system of land tenure than that already instituted.

100. In Paris, when the treaties of the five German satellites were being discussed, a statement was made by me, as leader of the Australian delegation, which is fully applicable to Japan. While the whole statement is relevant in any consideration of the Japanese settlement, the following extract deals in particular with general principles of peace making:—

“ I therefore turn to consider what are the general principles which should govern the review of the draft treaties. First, we are not justified in imposing our common will upon the defeated enemy in any spirit of mere vindictiveness or caprice. Our aim is justice, looking to the future as well as to the past, for we are, in a sense, the trustees of all the United Nations, of all the ordinary men and women throughout the world who look to us to give an enduring and a just peace to them and their children. However concerned we may be in the interests of our own countries, we must never lose sight of the fact that all the peoples of the world have a stake in this peace.

“ If we approach our task in this spirit we shall keep in mind certain fundamental principles:—

First—we should adhere to our solemn undertaking in the Atlantic Charter and the United Nations Charter, and try to ensure that the principles set out in these Charters are given the fullest possible application in the peace treaties.

Second—we should ensure that our recommendations and decisions are based on an impartial and thorough examination of all the relevant facts affecting each of the questions raised.

Third—we should be careful not to impose such unjustifiable burdens and humiliations upon the peoples of the five States as will prevent the growth of genuine democratic forces or foster the resurgence of fascism.

Fourth—our main objective should be the attainment of a just and durable overall peace structure, and not merely the settlement one by one of a series of particular and isolated claims by

individual nations against their neighbours.”

#### (ii) *Rôle of the Far Eastern Commission*

101. It would be wrong in principle to accept the Far Eastern Commission as the peace-making body for Japan. Its procedures are governed by the veto, one result being that basic policy for the occupation of Japan, which, following a draft by myself in December 1945, was agreed to on the official level eighteen months ago, was held up by the threatened exercise of the veto of one or other of the F.E.C. members or by the delays which a member possessing a veto can always procure. It is also of the utmost relevance to note that the Far Eastern Commission is a body set up to deal with occupation policy and not with the functions of peace-making.

#### **Netherlands East Indies**

128. On 28th January last the Dutch authorities at Batavia issued regulations prohibiting the export by the republic of all goods produced on Dutch-owned estates, and the import into republican territory of goods which could be used for military purposes. These regulations have been enforced by the Dutch navy and, as a consequence, all foreign trade with republican controlled areas has stopped.

129. While this is not a matter which affects Australia only—British, United States and Chinese ships having been held up by the Dutch navy—it was considered that Australia had suggestions to offer to both the Dutch and Indonesian authorities, which might overcome the problem and assist in their negotiations. Australia wishes to import goods, such as sisal, from Indonesia, so we had a very considerable interest in helping to promote a solution.

130. A second and related problem, in the solution of which it was considered assistance could be given, was the problem of shipping goods from Australia.

131. These goods have been held up in Australia for some considerable time, partly because there was no agreement between Dutch and Indonesian authorities as to their proportionate distribution when once they had arrived at Indonesia.

132. Towards the end of April four Australian representatives were sent to Batavia to assist the consul-general in his discussions with Dutch and Indonesians. These officials represented the Departments of External Affairs, the Treasury, Commerce and Agriculture and Supply and Shipping.



133. On the first problem, officials suggested that trade should be resumed without restriction, and that, pending the conclusion of current negotiations between Dutch and Indonesian representatives, the trade should be financed by frozen accounts, so that when the title of goods shipped was determined payment could be made to the owners.

134. On the second problem, as a result of discussions by our officials with both Dutch and Indonesian representatives, both these parties made an arrangement governing the distribution of goods when delivered, and the payment by the Indonesians to the Dutch for those goods allocated to republican areas.

135. On 25th May, the Australian Consul-General at Batavia received a letter signed jointly by Dr. van Mook, representing the Netherlands Indies Government, and by Sutan Sjahrir, representing the Indonesian Republican Government, stating that an agreed arrangement was being made between Dutch and Indonesian authorities for the distribution in Indonesia as a whole of Dutch-owned goods in Australia, and that, therefore, both parties desired the shipment of the goods from Australia.

136. It is to be observed that the receipt of this letter followed upon the lengthy negotiations which the Australian Government had initiated. The agreement between Dutch and Indonesians made possible the joint message to the Australian Government through the Australian Consul-General stating that both parties now wish the goods to be shipped.

137. Meanwhile, negotiations continue on the problem of a general resumption of trade. At present only native-owned goods—particularly kapok and some rubber—can be shipped out of Indonesian-controlled ports. Only goods not on the Dutch contraband list can be sent to Indonesian ports.

138. While, therefore, the ships carrying goods to Indonesia may, under present circumstances, return with only limited quantities of goods, it is hoped by the time they arrive Dutch-Indonesian negotiations will have progressed sufficiently for a general restoration of trade.

139. The visit of Australian officials, which has resulted in agreement between Dutch and Indonesians on the question of distribution of goods in Indonesia, has also contributed to the solution of the general problem of future relationships. In this respect Australia will continue to help in any way possible. The visit also had the happy effect of bringing together Dutch

and Indonesian representatives in a way which helped to lessen the feeling of suspicion and hostility between them. This, in the opinion of the Australian officials, is the main real factor preventing general and unrestricted agreement between the two parties.

140. The Dutch and Indonesian authorities have yet to reach agreement on ways and means of implementing a number of the more important provisions of the Cheribon (or Linggardjati) Agreement of 25th March last. The Netherlands Prime Minister, Dr. Beel, and the Minister for Overseas Territories, Dr. Jonkman, have recently visited Indonesia, and have examined the situation at first-hand. Apart from the general question of the control of foreign trade of Indonesia, there remain to be resolved significant differences of opinion concerning, for example, the restoration by the republic of estates owned by the Netherlands East Indies Government and Dutch interests, not to mention foreign interests; the international status of the Republic of Indonesia and the mode by which its representation in foreign countries is to be effected; and the vexed question of currency and financial policy generally.

#### Portuguese Timor

141. On the suggestion of the Australian Consul at Dilli, the Governor of Portuguese Timor has been invited to visit Australia. The invitation has been accepted and it is expected that he will arrive in Australia on a courtesy visit early in June.

142. The Governor has expressed his appreciation of the interest taken by the Australian Government and by the Australian Consul at Dilli in the promotion of trade and the improvement of communications with Portuguese Timor. It is hoped that, as a result of his stay here, more can be done in this direction. Besides permitting an exchange of factual information regarding conditions in Australia and Portuguese Timor, the visit may also facilitate preparations for formal discussions on the basis of a war-time understanding between the Australian and Portuguese Governments under which the Portuguese Government agreed in principle that relations between Australia and Portuguese Timor in respect of defence, commerce and air communications should be discussed and made closer.

#### (E) India

143. In the last month the principal development in India has been the steps



taken by the Viceroy to stabilise a rapidly disintegrating political and administrative situation. As a result of active consultation with all the leading political figures Lord Mountbatten reached the conclusion that the prospects of agreement on a unified India were negligible, that the only alternative was partition and that, in view of the rapid and grave deterioration in communal relations, the need for the earliest possible decision was urgent.

144. Subsequently, the Viceroy visited London for talks with the United Kingdom Government. He has now returned to India where an announcement of great significance to the future of that country has been made. The basis of the British proposal is that the Indians themselves should choose how they wish the transfer of power to take place. The United Kingdom Government will introduce legislation which will enable power to be transferred this year, on the basis of Dominion status, to one or two successor States, in accordance with the decisions which the Indian people themselves take under the new plan.

145. In the face of these developments Australia's view on the broader problems confronting India must remain as expressed in my statement to the House on 26th February last, when I said that Australia, as a member of the British Commonwealth, enjoying a status of complete freedom, of autonomy in both domestic and foreign policies, looked forward to the achievement by India of a similar status and a similar freedom. The peoples of India could pursue all their national aspirations while maintaining the link by which all members of the British Commonwealth are bound together. The complete severing of the links which join the British and Indian peoples would be greatly prejudicial to them both and to all mankind.

146. Five days earlier, on 21st February, I had remarked that whatever the future may hold, Australia wished India well. That wish remains and the hope is again expressed that whatever constitutional structure may be adopted by the Indian people to govern their affairs, there will be

no permanent severance of association between them and the British Commonwealth.

147. The Australian Government regards the internal difficulties confronting the Indian people with a full measure of understanding. The world's attention is focused on the manner in which Indians adjust themselves to the present situation, but how they do so is of a particular concern to Australia, a near neighbour which expects to share in the solution of many area problems in the future.

148. The Prime Minister of New Zealand made a statement yesterday which expressed the views of the Australian and New Zealand Governments so well that it is sufficient to give it full and complete endorsement. Mr. Fraser said:—

"On behalf of the New Zealand Government, I would like to make it abundantly clear that we in New Zealand would welcome the continuation of our partnership with India on this new basis (as a British Dominion). I would like to add," said Mr. Fraser, "that the people of the British Dominions do not regard Dominion status as an imperfect kind of independence; on the contrary, it is independence with something added and not independence with something taken away. It carries with it membership of a free and powerful association from which every element of constraint has vanished but one in which a way has been found for the practice of mutual confidence and co-operation in the full respect for the independence, sovereignty and individuality of each member. The New Zealand Government, therefore, in acclaiming the approaching consummation of India's independence, express the hope that that independence may be exercised within the British Commonwealth of Nations to the greatly increased benefit of all members of the Commonwealth and of the whole world, and they assure the people of India in all circumstances of their friendship and goodwill."

W 4792/25/68

No. 8

### AUSTRALIA: COMMONWEALTH PARLIAMENT ACTIVITIES

*Mr. Williams to Viscount Addison. (Received in Dominions Office 25th June, 1947)*

(No. 209)

Canberra,

My Lord,

18th June, 1947

I have the honour to report that the Commonwealth Parliament concluded a fifteen weeks' session on 6th June. The

session, which was one of the busiest for a long time, terminated in the customary rush to complete business and during the last sitting day no less than seventeen Bills, many of which warranted discussion, were



passed through both Houses. In addition, on the last day of the session, the Minister for External Affairs who "had intended to make a statement on international affairs," in view of the length of the sitting, merely circulated copies of the statement which was printed in Hansard (over 20 pages). As one of the last acts of Parliament was to pass legislation to raise members' allowances from £1,000 to £1,500, the haste in concluding Parliamentary business has given occasion for comment. It is not, however, the fault of Members that so much work presented to them at the end of the session had to be scamped. In the early part of the session many days were devoted to comparatively unimportant legislation. Much of the new legislation was drafted after the session commenced, and a great deal of it could have been drafted in readiness for the opening of the session. The extension of the field of Governmental activity for which the Commonwealth Parliament is responsible is, of course, the main cause of the congestion of Parliamentary business. The only remedy appears to be an increase in the membership of the Commonwealth Parliament and the adoption of the Standing Committee procedure for dealing with Bills instead of, as at present, the whole House sitting as a Committee to deal with all Bills. Longer sessions would probably not solve the problem as the extra time would not be entirely devoted to the legislative programme; much of it would be taken up by adjournment motions and other debates. In any case Parliament often sits for half the year (as it is doing this year). The sittings during the past ten years are:—

1938 ...	66 sitting days over 15 weeks
1939 ...	57 sitting days over 15 weeks
1940 ...	43 sitting days over 15 weeks
1941 ...	50 sitting days over 20 weeks
1942 ...	45 sitting days over 17 weeks
1943 ...	48 sitting days over 16 weeks
1944 ...	57 sitting days over 17 weeks
1945 ...	90 sitting days over 26 weeks
1946 ...	65 sitting days over 19 weeks
1947 ...	48 plus sitting days over 26 weeks

and it is doubtful whether, having regard to demands upon members in their constituencies, it would be practicable for Parliament to meet for more than twenty-six weeks in any one year. Moreover, as it is, politics is tending to become a separate profession and Members of Parliament are finding it increasingly difficult to maintain any outside duties. The result is that the legislature is liable to

become detached from the ordinary life of the community, a tendency which would be aggravated if Parliament were to meet for longer periods.

2. The Bill to increase Parliamentary allowances from £1,000 to £1,500 per annum as from 1st July was the highlight of the last week of the session. This measure had been very adversely criticised in the press in rather heated terms. The Prime Minister, in his second reading speech, said that the measure was amply justified by changes in economic conditions and by the increasing responsibilities of members. Parliamentary allowances had remained unaltered for twenty-seven years (except for the reduction of 25 per cent. during the depression and the subsequent restoration by stages) and in the meantime there had been a substantial rise in salaries generally. It was known that the Opposition were in some difficulty as to the attitude they should adopt and that they were endeavouring to satisfy the desire of many individual members to enjoy the salary rise, whilst at the same time gaining some political advantage by arguing that the measure was ill-timed and should have been deferred until wage-pegging regulations had been entirely withdrawn. The suggestion that the Opposition as a whole should vote against the Bill and thereby commit themselves to refusing the increase is understood not to have met with a very hearty response from the rank and file of the Opposition. Mr. Menzies moved that the question be referred to an All-Party Committee of Parliament. In so doing, however, he made out a very good case for an increase, and the two wings of the Opposition, which were unable to find common ground in their attitude to the increase, found themselves united with the Government in attacking the press for its criticism of the proposal. On this issue all members were in agreement.

3. The Prime Minister in his closing speech said that he never objected to criticism by the press when based on accurate information, but in this case an attempt had been made to create the impression that the Bill was presented to the House in haste and in a sly manner in order to prevent proper discussion. He had given ample notice of his intention to introduce the measure; the charge that the Bill was rushed through the second reading stage could only have been made by persons completely ignorant of Parliamentary procedure. He agreed that there was a psychological association between the proposal to increase Parliamentary allowances and



the continuance of wage-pegging regulations, but he would not allow himself to be stampeded by charges that because a very limited form of wage-pegging was still in operation there should be no increase in parliamentary allowances. He would not agree to reference to a parliamentary committee, which would only postpone a vote and members must make up their minds now as to whether they would pass the Bill or not. Voting was finally 42 for, 18 against, a number of Country Party members voting with the Government. The new rates come into effect as from 1st July.

4. During the Parliamentary recess Ministers will be heavily occupied. Three of their number will be overseas. (Mr. Dedman, the Minister for Post-War Reconstruction, who will lead the Australian Delegation at Geneva, Mr. Ward, the Minister for Transport and External Territories, who is attending the International Labour Organisation Conference at Geneva, and Mr. Calwell, the Minister for Immigration, who is visiting the United Kingdom to discuss shipping and

other problems related to migration policy). The Commander-in-Chief of the United States Pacific Fleet—Admiral Denfeld—has returned with the American Ambassador, who has been absent for about two months and is stated to have had discussions on defence co-operation in the Pacific. On 1st July, Lord Montgomery will arrive on a brief visit to Australia, when defence matters will again be under discussion: later in that month, Mr. Malcolm MacDonald and Lord Killearn may be visiting Australia and the British Commonwealth Conference preliminary to the Japanese peace settlement is expected to be held at the end of August. When Parliament re-assembles for the budget sittings on or about 17th September there will be much to report.

5. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom Representative to Eire.

I have, &c.

E. J. WILLIAMS,

*High Commissioner.*

W 5180/25/68

No. 9

## AUSTRALIA: ANNUAL CONFERENCE OF NEW SOUTH WALES LABOUR PARTY

Speech by Mr. Chifley (Prime Minister)

*Mr. Williams to Viscount Addison.—(Received in Commonwealth Relations Office, 9th July)*

(No. 221)

My Lord, *Canberra, 3rd July, 1947*

I have the honour to report that the Prime Minister made an important speech to the annual conference of the New South Wales branch of the Australian Labour Party in Sydney early in June.

2. Mr. Chifley gave first place to the problem of immigration and said that one of the urgent problems Australia must solve was the bringing of hundreds of thousands of immigrants into the country. British migrants would be preferred, but, if necessary, migrants must be brought from other nations of Europe to develop and build Australia.

3. The Prime Minister took a somewhat gloomy view of the future of the United Kingdom as a world Power. Australia, he said, could no longer depend on the United Kingdom for defence, or to play Australia's part in world affairs. Britain's

efforts in preserving the liberty of the whole world had left her in an economic position that forced her to look to the Dominions to play a greater part in obtaining world stability. On the other hand, only by close co-operation with the people of the United Kingdom and America would it be possible to maintain world peace in future.

4. In trade, co-operation with the United Kingdom in general policy was essential (and that in turn called for co-operation with America). Inflation such as was happening in America, China and France, and other countries overseas, even in Britain, meant that a proportion of the community must be crushed by economic circumstances. That position would be cured, but only if the people themselves gave to the task in which they are engaged their very best.

5. Mr. Chifley rightly claimed that Australia had the advantage of being far from



the stresses and strains that affected Europe, and had therefore preserved some reasonable stability during and after the war. "I do not say we have complete stability—that is, enough stability to meet any economic shocks that may come to us from the rest of the world," he said. "People who are competent to judge warn that some form of major recession in America is on the way. Our economy must be prepared to stand the shock of any recession that may come."

6. But the portion of the speech which has attracted most attention was that in which the Prime Minister made an appeal to trades union leaders to reduce the number of strikes in industry, especially those concerned with inter-union disputes. He could understand, he said, stoppages over a matter of important principle, but in recent years there had been stoppages which were not disputes with "bosses or with the Government," but disputes between the workers themselves. (I have frequently called attention to this aspect of industrial relations.) Trades union leaders owed a duty not only to the members of their associations, but to the community and the nation. He hoped industrial leaders would be unsparing in their efforts to see that some of the industrial troubles that were continually arising were at least reduced in number. Unless people were prepared to play their part and give to the nation the very best they could give the objective of continuing full employment could not be achieved. Here the Prime Minister touched on a point which is understood to be giving Ministers considerable concern. Full employment at the present moment is, of course, capable of achievement because of the acute shortage of man-power and the demand for labour for reconstruction. There is not a calling in which labour is not at a premium, and the consequent pressure on employers (Government and private) to grant higher wages and penalty rates is very great. Wage pegging regulations have until recently in those trades concerned held wages, but the almost complete abolition of wage pegging regulations has led to demands for higher wages in practically every industry and at the same time for shorter hours of work. High prices for local raw materials and high taxation have enabled employers to meet such claims, and the determination of employees to receive some of the benefit accruing from high prices for raw materials is shown by the payment of a bonus of over £8 per week to the lead

miners at Broken Hill, which the employers can grant with little injury to profits. Ministers who are brought directly into touch with labour problems in their relations with State employees have expressed alarm at the present trend, and one Labour Minister has expressed very forcibly the opinion (of course in private) that there will be no peace in industry until there are two men for one job!

7. The New South Wales State Labour Conference carried several resolutions aimed at widening the powers of the Commonwealth Parliament. It decided to recommend to a Federal Conference of the Australian Labour Party that referenda should be held regularly to amend the Commonwealth Constitution so as to give additional powers to the Federal Government; that the State (Labour) Governments should take all steps possible to implement the party's socialisation objective; that the Commonwealth Government should convene, as early as possible, an All-Australia Convention to consider the re-division of powers between the States and the Commonwealth, and thereby simplify the issues at subsequent referenda; that the Federal Conference should set up committees in all States to prepare plans for a campaign to achieve the socialisation objective of the party.

8. The conference by a large majority carried a resolution recommending that all Communist supporters be removed from labour leagues and affiliated trades unions. During his address to the conference, the Prime Minister, Mr. Chifley, touched on this point when he said: "There are those people who try to cling to the coat-tails of the Labour Movement, but really use it as a platform to espouse philosophies which are not the philosophies of the Labour Movement. This is a country of freedom of expression, and every man can choose his own political philosophy, but let him preach his own philosophy from his own platform."

9. Whilst trades union leaders are pressing forward with their policy of making hay while the sun shines and forcing wages up and hours down they are at the same time demanding that price control should continue. The Emergency Committee of the Australasian Council of Trades Unions has urged that a referendum be held to seek power for the Commonwealth Government to continue price controls. They state that "it is essential for the Commonwealth Parliament and the Commonwealth Government to continue to exercise control over prices, particularly



commodity prices, rents and related questions, in order that an effective check can be made against inflation, which would result in economic chaos, loss of workers' savings, lowering of standards of living and the impoverishment of citizens on small incomes." The Government is urged to submit to the people by referendum at the earliest opportunity the question of giving full and complete powers to the Federal Parliament and Government to control prices, in view of the failure of certain State legislatures to pass legislation ensuring the continuance of this control. Price control continues under Commonwealth Defence powers until 31st December, 1947, when the controls will lapse unless special legislation is introduced, and as the Commonwealth Parliament has not the power to legislate in these matters except under its defence powers and since the continued exercise of these powers might be challenged in the High Court it will be necessary for the States each to legislate in the matter. Western Australia and South Australia (which are non-Labour Governments) have not passed the necessary legislation, and in Victoria the Labour Government's Bill to continue controls was defeated in the Legislative Council. The Prime Minister has indicated that the Commonwealth would continue to rely on its powers under the Defence Act as long as economic conditions justified the continuation of control and so long as the Commonwealth could support its powers under that Act.

10. When representatives of the Australasian Council of Trades Unions saw the Prime Minister last week on the subject of the complete abandonment of wage pegging regulations they argued that the recent decision to increase Parliamentary salaries vindicated their policy. The Prime Minister promised to give the request consideration.

11. The position in regard to the forty-hour week is chaotic. The claim has been before the Commonwealth Arbitration

Court for over a year and whilst the Commonwealth Government declines to take any action regarding a forty-hour week for workers governed by Commonwealth awards pending the announcement of the Court's decision, State Parliaments have been legislating for the forty-hour week for workers covered by State awards and specific trades have been obtaining the forty-hour week as their public or private employers have conceded their claim. In New South Wales the State forty-hour week Act came into operation on 1st July. It covers all workers under State awards and all State Government employees. In the same factory some employees may be under State awards and others under Federal awards. The position is further complicated by the determination of some unions to work the forty-hours on a five-day week basis. Employers are concerned at the effect on costs of production and are seeking price increases. The situation promises to be fertile ground for industrial unrest.

12. The Prime Minister's appeal for peace in industry met with an immediate response from the Sydney Trades and Labour Council which has instructed all affiliated unions not to engage in strikes until the Council's disputes committee has decided what action should be taken and has announced that the Council would sanction the use of unionists to fill jobs left vacant owing to unauthorised strikes. This has been hailed in the press as "one of the best blows struck for Australia's prosperity" but has been promptly repudiated by certain leading unions affiliated to the Council.

13. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative in Eire.

I have, &c.

(for High Commissioner)

W. C. HANKINSON.

W 6235/25/68

No. 10

### AUSTRALIA: TOUR OF ALL STATES BY PRIME MINISTER CHIFLEY

*Mr. Williams to Mr. Henderson. (Received in Commonwealth Relations Office, 25th August)*

(No. 259)

Sir, *Canberra, 19th August, 1947*

I have the honour to report that in preparation for the Premiers' Conference, which is to be held this month, the Prime

Minister recently completed a tour of all States in the course of which he delivered a number of public speeches. In all these speeches Mr. Chifley gave prominent place to the seriousness of the economic situation



in the United Kingdom and urged that Australia should do all in her power to help Great Britain to overcome her economic difficulties. The Prime Minister has so far given no clear indication of his views as to how this is to be done apart from stating that an examination is being conducted by experts, which would probably result in restrictions being imposed on imports from the dollar area. These visits took place, of course, before Mr. Attlee's recent speech in Parliament on the financial situation.

2. But the main purpose of the Prime Minister's tour was to influence the attitude of the States on various controversial questions which will come before the Premiers' Conference. Difficulties are expected to be raised not only by the non-Labour Governments of South Australia and Western Australia but also by the Labour Governments in the other four States, who are becoming restive about the continuance of the powers conferred upon the Federal Government during the war. By virtue of National Security Regulations under the Defence Act increased powers were acquired by the Commonwealth Government during the war, which went far beyond those which it enjoyed under the Constitution. The last of the National Security Regulations are due to expire on 31st December next, and the question of what arrangements are to be made to continue many of these activities after that date is to be considered at the Premiers' Conference. Another matter on which the States are stated to be uneasy is the continuance of uniform income tax, to which they agreed for a period of five years. The effect of this measure was to transfer to the Commonwealth Government the major portion of the taxation power and to make the States dependent upon Commonwealth Government grants for the bulk of their revenue. As the Commonwealth Government controls income tax and customs and excise duties there is very little scope left for the exercise of taxation powers by the States. As the Prime Minister has sardonically remarked, the imposition of State taxation is largely a question of mathematics. (The New South Wales Government has recently discovered a new taxation field: it proposes to tax all intra-State air passengers and hand the revenue over to the State railways, whose finances are in a bad way.) Organised marketing schemes, which the Commonwealth has been able to institute on a very extensive scale during the war by means of Defence Regulations, are now in the melting pot, but the primary producer, despite occa-

sional squeals, has done so well out of the orderly marketing schemes that he is unlikely to favour any suggestion that planned marketing should cease although he might prefer that the States and the producers should have a larger measure of control than at present. In regard to wheat, the Wheat Stabilisation Act passed last year provided for the establishment of a Wheat Board with Commonwealth, State and producers' representation, to which all powers of the existing Wheat Board were to be transferred. This measure required complementary State legislation, none of which has yet been passed pending further discussion at the Premiers' Conference.

3. The Minister for Commerce and Agriculture has joined the Prime Minister in urging the States to complete plans for organised marketing of primary products in view of the strong likelihood of Commonwealth powers lapsing. There was room for grave doubt, he said, whether the Commonwealth Government could constitutionally continue to exercise functions assumed under war-time powers, and he warned producers of the very serious position which would arise in the event of a marketing organisation not being ready to function on the cessation of Commonwealth activities. The Commonwealth Government are, in fact, holding over the primary producer the threat that marketing stability, in regard to which it is admitted that the Commonwealth power is limited "because in their wisdom the people voted against the transference of power to the Commonwealth at the last referendum," will lapse unless the States come into line and cede the necessary powers to the Commonwealth. The Commonwealth Government, if the States should not afford the necessary degree of co-operation, can still, however, fall back upon their export powers and constitute Export Boards, which would be the only channel through which primary products could be exported.

4. The Prime Minister in his speeches has been educating the public up to the idea that the "golden age" to which he referred in his election programme is still around the corner and that circumstances over which the Commonwealth Government has no control must affect internal policy. He has referred frequently of late to the possibility of a "recession," which Mr. Menzies describes as the new "fancy word" for depression. The Prime Minister has explained that the reason for his warning is the possibility of a depression in America, which would inevitably upset the economy of other countries. He



believed that Australia's monetary system was geared to meet a depression up to a degree, but any depression of the 1930 type must have repercussions in Australia. "The world dollar shortage is what I am afraid of." There is little doubt that the Prime Minister had prominently in mind the coming crisis in the United Kingdom and that he has been breaking the news gently that, in spite of the vast increase in Australia's exports, and the apparent soundness of her internal and external finance, the measures which her best customer will find it necessary to take may have very disturbing effects on the Australian economy. The Prime Minister is accused of moving slowly, but he carefully prepares his ground and it seems evident, in view of later developments, that one of the purposes of his many recent speeches has been to impress upon the Australian people that not only on sentimental grounds, but in their own interests, help must be afforded to the United Kingdom. He has dropped hints concerning restrictions on imports from the United Kingdom and from dollar areas (including films). It may be asked why it should be necessary to treat this subject so tenderly. The Prime Minister may be over-cautious—many think he is and that he is misjudging the widespread desire of the Australian public to help Britain. The Prime Minister, however, knows his own party and he is no doubt aware that there is a powerful section, not large numerically but powerful owing to the position they hold in industry, who would not be prepared to make any sacrifice, however small, to help Britain—or anyone else. He has to persuade these people that whatever they are asked to do (and so far they have not been asked to do anything) is in their own interests.

5. The Prime Minister knows that the secret of Australia's ability to assist Britain lies in increased production and the smooth movement of goods to the ports and overseas free from the interminable hold-ups which have characterised Australian industry since the war. No doubt it was with this in mind that he has made a further effort to improve the relations between employer and employed and, following his speech to the Australian Labour Party in Sydney in June (see paragraph 6 of my despatch No. 221), issued an invitation to representatives of the unions and of employers' organisations to meet, under his chairmanship, to discuss plans for bringing about peace in industry. This conference met in Canberra after the Prime Minister's return from his tour to

evolve a programme designed to improve industrial relations and step up production. In a joint statement issued after the conference it was stated that the parties had agreed that every effort should be made to stimulate and promote production, which was essential for "relieving inconveniences and hardships at present being experienced by Australian citizens" by means of "more efficient management, where possible the introduction of up-to-date plant and machinery and the elimination of waste by using every effort to reduce labour turnover by cutting out unnecessary absenteeism." The two major bottle-necks in production, the statement went on, were coal, which it was thought could best be solved by the recently appointed Coal Board, and man-power. (The attitude of the miners towards machine mining has modified during the last few months and this will produce a larger output, but the mining industry cannot hope to meet the demands of expanding secondary industries and municipal needs of fuel, light and power.) As a contribution to the solution of the latter difficulty it was suggested that all those who gave their services during the war should as far as possible again make themselves available. It was agreed that free or private enterprise was still the major avenue for providing the greatest measure of employment and that complete understanding between management and workers was essential if industrial relations were to be established on a satisfactory basis. It was further agreed that the Commonwealth and State conciliation and arbitration machinery provided the means whereby differences between employer and employee should be readily determined. Industrial disputes should be reduced to the barest possible minimum. The trade unions' representatives expressed their disagreement with unauthorised strikes. The employers suggested that to give the worker his proportionate share of increased production a system of incentive payments should be introduced or extended, but "the trade union attitude is one of distaste for incentive payment based on past experience." The Australasian Council of Trades Unions, however, undertook "to make a full and complete investigation into modern incentive payment systems to determine whether these systems would be of advantage to the worker and the community."

6. The issue of this statement was accompanied by a lengthy personal appeal from the Prime Minister. He said that steady work was the most powerful factor



in establishing the nation's economy to meet possible repercussions from the economic changes taking place elsewhere which could not but affect Australia. This would enable Australia not only to safeguard herself, but to give the best aid to the United Kingdom in its sore plight, to contribute towards the solidarity and welfare of the British Commonwealth and to do something for the stricken peoples of countries devastated by the war. He was greatly concerned with the shortages of houses and goods and the delays in carrying out vital works. Australia had a great opportunity—world shortages of commodities which Australia produced resulted in high prices for Australian exports and internally there were vast opportunities for expansion. He appealed to every Australian to give of his best, to trade union leaders to exercise firm discipline and eliminate unauthorised strikes and to the employers for more production and more efficiency.

7. The Prime Minister has made previous efforts to bring employer and employed together in the hope of introducing a new spirit into industrial relations, which, as one commentator remarked, are still conducted in the manner of the Wars of the Roses. The fears and grudges of the past loom largely over the industrial field and too many of the leaders on both sides have spent a lifetime acquiring a combative attitude towards their opposite number to find it easy, or even profitable, to adopt a more realistic approach. The Prime Minister has been given great praise

for his efforts, which were fortunately timed when major industrial storms had subsided and when it was at last beginning to be borne in on the unions that higher living standards could only be achieved by higher production, which was also made imperative by the crisis in Great Britain. It is pointed out, however, that if there is to be higher production the Government has a contribution to make. Higher incentive payments are discounted by the steeply rising rate of income tax. Some of the controls maintained too long and in too much detail after the war are, it is claimed, deterrents to output. The machinery of price control is cumbersome.

8. Time alone will show whether any substantial improvement will follow from this conference—indeed, the conference was barely over before the Prime Minister had occasion to summon the Australasian Council of Trades Unions before him and express his annoyance at the attitude which that body had taken in supporting the boycott of Dutch ships, many of which are engaged not in trade with Indonesia but in bringing vitally needed goods to Australia and shipping away Australian exports. But hopes have certainly been encouraged and the measure of agreement must be regarded as a notable achievement.

9. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

E. J. WILLIAMS.

W 6358/25/68

No. 11

## WAGE-PEGGING AND ECONOMIC CONTROLS: POLICY OF THE AUSTRALIAN GOVERNMENT

*Mr. Williams to Mr. Henderson. (Received in Commonwealth Relations Office, 2nd September)*

(No. 266)

Sir, *Canberra, 26th August, 1947*

I have the honour to report that in his policy speech at the last general election in 1945 the Prime Minister held out the hope that as economic conditions returned to normal, wage-pegging and other controls would be steadily relaxed with a view to their eventual abolition.

2. The first move on lifting controls was taken in November 1946, when legislation

was passed (the Defence (Transitional Provisions) Act) continuing in force for a further year after the 31st December, 1946, a number of essential controls, others being allowed to lapse. The regulations continued in operation may be broadly classified as follows:—

- (i) Regulations providing the basic structure for orderly economic transition.



- (ii) Regulations supporting marketing schemes.
- (iii) Regulations supporting rationing schemes.
- (iv) Industrial regulations.
- (v) Regulations required to be retained pending legislation.
- (vi) Regulations preserving rights to pensions, allowances, &c.
- (vii) Regulations with military and security functions.
- (viii) Miscellaneous regulations.

3. During the past year wage-pegging regulations have been relaxed to such an extent that it is considered that very little of the war-time wage-pegging structure remains effective. The Commonwealth Arbitration Court has been given power to vary the basic wage and to grant applications for increased marginal rates for changed circumstances or where anomalies are shown. At the same time, however, the policy of the Government has been to retain other controls and even to tighten up their administration. When the basic wage increase was awarded in December 1946 it was announced that industry would be expected to shoulder as far as possible the increased costs, and that only in special cases would increases in prices be authorised, and then only if a special application was made to the Price Control in each case. This discrimination between industries which would be permitted to pass on the increased costs and those which would not has been regarded as particularly objectionable by commercial interests.

4. It is not surprising, therefore, that the endeavour of the Government to maintain price control whilst relaxing wage-pegging regulations has led to continuous pressure from manufacturers to raise the price ceiling and to relax controls generally. It is claimed that the time has come when all controls, necessary or otherwise, are disintegrating by force of circumstances, and that controls which cannot be properly administered bring discredit on the Government by the creation of black markets. As particular examples of this the state of the used-car market is quoted. It has been officially stated that of 81,000 used cars sold in Victoria in 1945, 78,000 were sold on the black market. Similar abuses are known to exist in the administration of the Land Sales Control in New South Wales, into which an investigation has recently been ordered. It is claimed that the petrol rationing scheme is so widely abused that if petrol rationing were abolished no more petrol would be consumed and a considerable amount of man-

power would be saved. Capital issues control has also been under fire, and that building controls hamper building is claimed to be shown by the fact that since building controls were virtually abandoned in Tasmania in January the housing lag has been reduced by almost one half.

5. The question of what controls were to be continued after 31st December, 1947, was recently considered by a Cabinet Sub-Committee with the result that it was announced in July that it had been decided to continue price control during 1948, and a further announcement made on 15th August said that it was probable that all regulations of any significance in force in 1947 will need to have their effect carried on in 1948. The Prime Minister stated that the general inflationary conditions present at the end of 1946 are not likely to have changed by the end of 1947, and control over economic conditions generally will need to be continued. Cabinet has accordingly approved of the preparation of legislation to give permanent effect to regulations dealing with matters over which the Commonwealth Parliament's legislative power normally extends, *e.g.*, those dealing with dairy produce acquisition (the setting up of an authority to deal with dairy produce purchased under contract by Britain), patriotic funds, enemy property, trading with the enemy, and shipbuilding. The greater number of the controls which it is desired to continue will be dealt with by an extension of the Defence (Transitional Provisions) Act to cover the period until 31st December, 1948. It is remembered, however, that early last year both the Prime Minister and the Attorney-General gave undertakings that any controls which the Government desired to continue after the lapse of the National Security Act at the end of 1946 would be embodied not in regulations but in "specific legislation."

6. As regards the particular question of price control, the Conference of State Premiers held in August 1946 agreed on joint legislation to transfer price-fixing powers to the Commonwealth Government, but the necessary legislation has been passed in only two States (New South Wales and Queensland), and it is now proposed to take a referendum proposing the amendment of the Constitution to confer on the Commonwealth Government powers to legislate with respect to rent and prices control.

7. The Government has also made it clear that it does not propose to extend the system of subsidies by which the prices of various commodities (*e.g.*, milk, potatoes



and coal) have been kept down to minimise the necessity for wage increases. These subsidies are gradually being allowed to lapse and the public required to carry a larger portion of the burden of increasing costs, although limited payments are to be made for a further year to cushion the impact of higher prices. In addition to "consumer" subsidies the Commonwealth has been bearing part of the increasing costs of industry, such as the loss incurred by the Government in operating coastal shipping, and grants for jute and fertilisers used by private industry. Subsidies of various kinds cost the Treasury £30 million in 1946-47. The jute subsidy has been withdrawn with the result that farmers are paying 50 per cent. more for sacks, and the return of coastal shipping to the owners will add about £2 million a year to freight. The responsibility for milk prices has been handed back to the States.

8. There has been some relaxation in rationing controls during the year. Sugar rationing was lifted on 3rd July when the Prime Minister said that the principal reasons for rationing no longer applied. As, however, all refined sugar is produced by one company—the Colonial Sugar Refining Company—the amount of sugar released for local consumption can still be controlled. Clothing rationing was also eased—though not abolished. Until the impact of the recent financial crisis in the United Kingdom there had been hopes of further considerable modifications of rationing, including the abolition of petrol rationing, but the Government has now announced that it will reserve its decisions in these matters until it is seen how the United Kingdom financial crisis develops. Indeed, this crisis has already been the cause of a reduction of the petrol ration which in order to save dollar expenditure will be reduced by from 20 per cent. to 25

per cent. for private users and by 10 per cent. for commercial users on 1st October, 1947.

9. There is no doubt that in carrying out their policy of continuing controls for a further period the Commonwealth Government are having their hands strengthened by the financial crisis in the United Kingdom and they can justifiably claim that the retention of controls is necessary to give effective help to Britain; the same argument is being used but probably with less force in connexion with the recently announced decision to nationalise private banks. Whilst there would be no question as to the acceptance by the public of any restrictions which can be shown to be necessary to help the United Kingdom, *e.g.*, the reduction of imports from dollar areas, the Government's claim has been received with some suspicion and it does not, it is argued, follow as a matter of course that the elaborate and costly machinery of consumer rationing need be retained. The Prime Minister holds the view very strongly, however, that the maintenance of all major controls is essential to safeguard the Australian economy against shocks from outside and in the difficulty in which he is placed of retaining many controls without the constitutional power to do so except by the use of the Commonwealth's Defence Powers it is not unnatural that he should find support for his own convictions in the immediate need to afford all possible help to the United Kingdom's difficulties.

10. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

E. J. WILLIAMS,

*High Commissioner.*

W 8255/25/68

No. 12

## AUSTRALIA: RESULT OF VICTORIA ELECTION

### Issue of the Commonwealth Government's Banking Policy

*Mr. Williams to Mr. Noel-Baker. (Received 28th November)*

(No. 345)

Sir, *Canberra, 20th November, 1947*

I have the honour to report that, according to the latest figures which are, however, in some cases not yet complete, the general election in the State of Victoria which was

held on 8th November resulted as follows:—

Liberal Party ...	29
Country Party ...	20
Labour ...	15
Independent Labour ...	1



Labour has lost 16 seats, the Liberal Party has gained 16 seats and the Country Party 2. The new Government is a combined Liberal-Country Party administration with the portfolios equally divided

2. This State election attracted more than usual interest because it was fought on the clear issue of the Commonwealth Government's policy for the nationalisation of banking. The result has put new life into the Liberal and Country Parties, for there can be no other reading of the verdict than as one of condemnation of the Federal Government's banking proposals. The Labour Party in Victoria had an election cry which in any other circumstances would have made a strong appeal—the Upper House in Victoria had forced the election by refusing supply and leaving public servants without pay—but this issue was completely ignored by the electorate.

3. The result is the most crushing defeat which any Labour Party in Australia has suffered since 1932 and its cause is to be found primarily in the Federal and not in the State sphere. There is little doubt that a federal election now or an election in any of the other States would result in a reverse for Labour. (The latest Gallup poll gives the following result: 61 per cent. are opposed to nationalisation of Banks. 28 per cent. are in favour and 11 per cent. are undecided.)

4. In these circumstances Federal Labour members in shaky electorates—and there are a good many of them—are known to be beginning to doubt the wisdom of their leader's policy and one of Labour's elder statesmen—Mr. Brennan—has already expressed grave doubts whether nationalisation of banking—with which he agrees in principle—will win an election. Even Ministers—for instance Mr. Ward—are known to have expressed privately the opinion that the Labour Party will be defeated at the next election owing to the banking policy.

5. There are now three States lined up in opposition to the Labour Party's banking policy—Victoria, South Australia and Western Australia—and if, as is suggested, the Upper House in Tasmania follows the example of the Legislative Council in Victoria and forces an election by refusing supply there is little doubt that a fourth would be added.

6. The Prime Minister, however, declared before the Victoria election that nothing which happened in the State political field would influence his policy in regard to banking. The Bill has passed its

second reading and the Government is pushing it through Committee by means of the guillotine and intends to have it on the Statute Book before the session ends. The Prime Minister hopes that the expected legal challenges to the legislation can be decided in time for the measure to be brought into operation well before the Federal general election in the latter part of 1949 and that whatever happens then it will be impossible for any succeeding Government to put the clock back. If the legislation is pronounced unconstitutional by the Courts the Government will be no worse off than it is now and can face the electors with legislation on the Statute Book which implements a fundamental part of the Labour Party policy but which it will be claimed could not be brought into operation owing to it having been declared unconstitutional by a High Court consisting of judges whose decision on constitutional issues is influenced by the non-Labour views of some of their number.

7. It may be asked why the Prime Minister attaches such importance to this legislation in view of the wide powers conferred on the Treasurer and the Commonwealth Bank by the Banking Act of 1945. That Act gives the Treasurer almost complete control of public credit by virtue of the requirement which it places upon the Trading Banks to deposit most of their surplus balances with the Commonwealth Bank, and by the latter's control over the lending and investment policies of the Trading Banks, their reserves and their interest rates. The answer is that Mr. Chifley feels that so long as the Trading Banks exist it would be possible for a non-Labour Government not to exercise the powers conferred by the 1945 Act and so enable the Trading Banks to recover their lost freedom of action and again exercise a powerful influence on credit facilities. (The Leader of the Opposition has stated that if the Liberal Party is returned to power prompt steps would be taken to restore Board control to the Commonwealth Bank and free it from political interference and that in every other respect the Opposition would hold itself free to review the 1945 legislation and bring it into line with what was believed to be the suitable requirements of the people.) Once the Trading Banks are abolished, however, no future Government can re-establish them.

8. When Mr. Chifley decided to nationalise the Trading Banks the general impression was that he did so because he was gravely concerned at the ruling of the High Court that a vital provision of the



1945 Act was invalid and that if one section of the Act could be challenged others could, and particularly that which requires Trading Banks to hand over their surplus deposits to the Commonwealth Bank. It was this fear that the 1945 legislation might not stand the test of further legal challenge that led the Prime Minister to abandon his previous policy of gradually extinguishing the private banks by the favoured competition of the Commonwealth Bank and to decide upon immediate nationalisation. There is no doubt, reading the Prime Minister's speeches during the second reading of the Banking Bill, that he is convinced that complete and unchallengeable control of finance by the Government is necessary to enable it to safeguard Australia from the effects of a world-wide depression which he is coming to regard as a very probable development. His speeches and those of other Government supporters during the debate have dwelt continually on the 1930 depression and the part which the Trading Banks are alleged to have played in bringing that depression about and in hampering recovery. It is doubtful whether the Prime Minister anticipated that the reaction to nationalisation would be so violent and certainly the landslide in Victoria has come as a complete surprise to him and his party. No measure has excited so much controversy and so much public agitation in this generation. It is, of course, true that the Banks have spent a great deal of money on an intensive propaganda campaign but the last two general elections were won by the Labour Party in face of practically the whole of the press and there is no reason to suppose that propaganda alone would have produced the landslide which has taken place in Victoria.

9. This has been due in part to a genuine fear that the banking legislation is a direct attack on personal liberty and to the feeling of the middle class elector that the concentration of financial power in the hands of the Federal Government would enable the socialisation of any industry to be effected at any time by a stroke of the pen. Mr. Chifley has not been helped by many of his party who have not concealed their views as to how the financial power would be used. There is also good reason to suppose that the measure has alienated the Catholic vote which is an important element in the Labour majority. Although the Catholic hierarchy have been circumspect in their statements the Catholic bishops have made it clear that the Catholic Church is opposed to nationalisation except of public utilities and that the Church was firmly opposed to

socialisation. Mr. Ward, the Minister for Transport was put up in Parliament to reassure the Catholic voter by explaining that it was not the intention of the Government to interfere with personal property.

10. A further issue which is raised acutely by the banking legislation and the overwhelming power which it would place in the hands of the Central Government is that of State sovereignty. On this aspect Labour Governments in the States are as much concerned as are the non-Labour Governments, as is indicated by the statements made by the Queensland and New South Wales Governments that if the Trading Banks are nationalised they will establish their own State Trading Banks.

11. A large number of people who do not strongly object to State ownership of public utilities in principle feel that it is not sufficient to claim that because banking nationalisation is a part of the Labour Party programme the election of a Labour Government implies the acceptance by the electorate of every plank in Labour's policy. They hold that the Government has no mandate for this revolutionary legislation and that it should be submitted either to the people by referendum or a general election. Mr. Chifley has not unnaturally refused to consider a referendum. A referendum on the nationalisation of banking would not be a referendum on a constitutional issue since until the Courts decide otherwise the Commonwealth Parliament has already the necessary powers under the Constitution: the Government could not, therefore, spend public money on placing its case before the electors whilst it would have to face the vast "no" propaganda which the Trading Banks would finance. The Prime Minister has also refused to consider a general election at this stage—

- (a) because he claims he has a mandate—nationalisation of banking having been in the Labour Party platform for years and that platform having been endorsed at the last two general elections;
- (b) because if there is to be a general election it would suit the Labour Party better to wait until 1949 when the legislation may have been brought into operation.

12. The Prime Minister's refusal to be halted in his course by the result of the State election in Victoria—which can be only construed as a "no" referendum by nearly one-third of the whole population of Australia against nationalisation—and his somewhat cavalier dismissal of the result



as due to a fear complex inspired by bank propaganda, has strengthened the hands of those who charge the Labour Government with ignoring expressions of the will of the people and using its Parliamentary majority to force through legislation for which there is no popular support. If, it is asked, the Prime Minister is so certain that the country is behind him why will he not agree to let the people indicate their wishes? If on the other hand he has doubts about this, especially after the verdict in Victoria, his attitude in forcing through the measure by the aid of a Parliamentary majority obtained on other grounds is "undemocratic and dictatorial."

13. Whatever qualms individual members of the Labour Party may have regarding the wisdom of the Government's policy, there is no evidence that they will disobey the rigid party discipline. Not one

voice has been raised on the Government side either within or without Parliament against the Banking Bill. Every member knows that to do so would be the end of his political career although many of them are known to fear that this will be the result in any case. It is significant that there is a movement in the Parliamentary Labour Party to secure early consideration for the scheme for pensions for members of Parliament which is said to be under consideration.

14. I am sending a copy of this despatch to United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative in Eire.

I have, &c.

W. C. HANKINSON,  
*for High Commissioner.*

C.R.O. ref. F 2372

F.O. ref. W 8738/25/68

No. 13

## AUSTRALIAN FOREIGN POLICY

### Debates in the Federal House of Representatives

*Mr. Williams to Mr. Noel-Baker. (Received in Commonwealth Relations Office  
22nd December)*

(No. 367. Extract) *Canberra,*  
Sir, *10th December, 1947*

In my despatch No. 564 of 12th December last I had the honour to report upon a debate in the House on foreign affairs. Since then Dr. Evatt has tabled two statements, the first on 27th February and the second on 6th June. These documents, copies of which were forwarded to the Dominions Office at the time, were voluminous and largely factual statements, heavily documented and with the customary sprinkling of texts of speeches by the Minister for External Affairs himself. The later document, however, also contained certain passages referring to the apparent lack of interest of the United Kingdom Government in matters relating to the Far East. Despite the explanation from the permanent head of the Department of External Affairs, given privately, that these passages were intended as a strong plea, rather than as a criticism, they were sufficiently unambiguous to be singled out by the press under such headlines as "Sharp Reminder to Britain" and "Evatt Hits at Britain." Such expressions of opinion from Dr. Evatt have long lost any novelty

and did not maintain interest beyond the day of their publication.

2. The statement in question was tabled at 6 a.m. when the House was on the point of rising for a four months' recess, and by the time of the debate some at least of the statement was entirely out of date, and it was clear from the speeches of members that the rest was largely out of mind. The debate was opened on the Opposition side by Mr. Spender, who had recently returned from a trip to Europe. Opening his speech, Mr. Spender drew a parallel between the policy of appeasement which he considered was now being pursued by all the nations of the Western world with the exception of the United States of America, and that preceding the outbreak of the recent war. The parallel, of course, extended to a comparison between the German and Russian Governments in the two periods and contained a general warning against the imperialistic objectives of the Russian Government and the dangers of Communist Fifth Column methods within the "Western democracies and particularly within Australia." Whilst not believing that Russia's purpose was at the moment to



engage in war, and advocating every effort to encourage co-operation with the Russian Government, Mr. Spender suggested that the object of Australian policy should be to secure the closest possible economic and strategic co-operation within the British Commonwealth and with the United States of America.

3. Mr. Spender confessed, however, that whilst overseas he was unable to discern what was Australia's foreign policy. Whilst there had been many splendid statements in terms of ideology and international philosophy, they did not bear upon the realities existing in the world to-day. He was forced to the conclusion that within the general limits set by the United Nations, Australia had been engaged in a pretty, but futile, game of "prestige politics" which, despite what so-called foreign correspondents might say, usually succeeded in making Australia appear a little silly. Such "prestige politics" did not increase the stature of a nation. It was calculated, rather, to inflate artificially the personality of individuals. Russia, the United States or the United Kingdom were chosen in turn for attack and no one knew from day to day where Australia was or where she was going, and there was more rejoicing in the appointment of an Australian as the head or a member of this or that committee than there was in any achievement or solid advance of the cause of world security. The only consistency Australia had revealed was in its objection to the veto, and whilst Mr. Spender agreed that there were philosophical objections to the veto, they had little to do with the realities of world politics.

4. On the one matter which was essential, namely, that of meeting the threat of Communist domination, more particularly within Australia itself, Australia had, in Mr. Spender's view, done next to nothing. Concluding, he stated that Australia had gone a long way to accommodate herself to Russia, but Russia, by the exercise of the veto, stultified any action on the part of the United Nations. They must therefore meet the challenge implicit in that policy both within and without Australia, and he asked speakers on the Government side what they proposed to do about the matter.

5. When the debate was resumed, Mr. Beazley, the most valuable recruit to the Government ranks at the last elections, made a careful and balanced speech. He drew attention first of all to the contrast between the post-war situation in Europe to-day as compared with 1919, both as regards the change in the actual balance of

power in Europe, and in the degree of destruction of industry and of the industrial sources required to supply Europe's needs. In the second place, Mr. Beazley pointed out that all pretence had been abandoned of supporting the principle of self-determination and he saw in the new frontiers of Poland the seeds of what would be another prolonged and so-called "just" war. He drew attention to the apparently insoluble difficulties arising out of the question of German reparations and the level of German industry, and of the conflicting views of the Western Powers and Russia upon these matters. He discussed in some detail the allocation of the various outlying Japanese islands and the implications of these changes both on the power of Japan to support her population and of their value as stepping-stones in any future war. In this connexion he suggested that as Russia would be established in the Kurile Islands and Sakhalin, Australia would be wise to assign to the United States the means of exerting counter-pressure by giving it control of the Ryukyus and Bonin Islands.

6. Turning to Europe, Mr. Beazley pointed out that, without any attempt at self-determination, the main outlines of the peace had already been made. He believed that the Russian motive for supporting the transfer of Eastern Prussia to Poland was the old one of the balance of power. The removal of these territories from Germany not only weakened Germany herself, but provided a cause for friction between Poland and Germany similar to the former existence of the Polish Corridor. Concluding, he suggested that in so far as Australia had any influence in Europe, and it was very slight, that influence should be directed first towards the rehabilitation of the United Kingdom and secondly towards the rehabilitation of Western Europe, so that there would not be a general collapse of European society through malnutrition and inadequate production, which in fact might well mean that Hitler had won the war.

7. A number of speeches by private members followed, none of which contributed greatly to the value of the debate. It was however noticeable that members from neither side were prepared to support Russian motives, though members on the Government side were perhaps more ready to explain their cause, if not to excuse their results. As regards Communist influence in internal matters in Australia, speakers on the Government side pointed out that membership of the Communist Party was



incompatible with membership of the Australian Labour Party—a fact which, whilst incontrovertible, does not unfortunately explain away the considerable power of the Communist Party within individual unions. This has, of course, been particularly marked in the action of the Waterside Workers' Federation, which, as you are aware, has consistently banned the loading of Dutch ships for the Netherlands East Indies, and for a time even for other destinations. It is a standard criticism of the Government by the Opposition that the waterside workers are free to dictate Australian policy, and nothing new was said on this score though a number of Opposition speakers made the point that Indonesians in general, and Dr. Soekarno in particular, had supported the Japanese during the war, whilst Australian soldiers had been tortured and murdered by Indonesians both during the war and after formal hostilities had ended. I might add parenthetically that by a queer mental twist, the virtue of Indonesians has become a subject of irrational ideological controversy. Stories of Indonesian atrocities against Australian troops have become increasingly current, particularly at meetings of ex-service associations and have led to bitter disagreement in the more extreme trade union circles, and even, in one instance, to physical assault by a trade union official upon a journalist for reporting such statements.

8. In opening his speech Mr. Menzies, Leader of the Opposition, deplored the fact that, on one of the rare debates that they had on foreign affairs, the Minister for External Affairs should be absent. Turning then to Russian foreign policy, he suggested that the time had now come when in all free assemblies of the world it should be made clear to the Soviet Union that we were under no illusions about their politics and that we were determined to retreat no further. As to the veto he asked whether Australians could satisfy themselves by arguments about the existence of a veto when they knew that if the veto did not exist the Soviet Union would not belong to United Nations at all. Australia would go further if she concentrated upon two things, one of which was not the existence of the veto but its gross abuse, and the other the vital problem of the *bona fides* of the attitude of the Soviet Union towards the United Nations.

9. As regards the Netherlands East Indies, he referred to the insertion in the United Nations Charter of the "domestic clause" which, he pointed out, was vital

to the maintenance of the White Australia policy, but which had been ignored by Australia when it came to the discussion of the relationship between the Indonesians and the Dutch. Mr. Menzies concluded by warning against the danger to Australian policy of occupying too much time on shadows and too little on substance. So far as Australia was concerned the nearest problem geographically speaking was that of the Netherlands East Indies. If, as he believed, the Australian Government had accepted the policy of driving the white man out of the Netherlands East Indies and indeed out of the whole Asian continent, then, in view of Australia's isolation, it represented "the very ecstasy of suicide."

10. As he saw it Australia's voice had been devoted to matters or procedure and it was important that they should rather concentrate on the things that count. They should make it their business not to engage in mere formal acquiescence in some course that the United Kingdom pursues, but to grapple themselves to the United Kingdom and other Empire countries. This, as he pointed out, he had reiterated *ad nauseam*. If they had devoted one fraction of the intellectual effort that the Minister for External Affairs had put into purely procedural questions to discovering ways and means of living in the closest friendship with the United States, there might be a peace *bloc* so extensive and built upon such real foundations that the peace of the world would be secure in our time. Unless the whole freedom-loving world got back to the substance in the next few years the world was doomed to disaster.

11. It fell to Mr. Dedman, Minister for Defence and Post-War Reconstruction, to reply to Mr. Menzies. After denying allegations of the Opposition that Australian foreign policy was the policy of Dr. Evatt alone, and maintaining that the Cabinet accepted collective responsibility for the policy put forward by individual Ministers (which provoked an unanswerable interjection from Mr. Menzies as to whether this collective responsibility included that of Mr. Ward, whose public opposition to Bretton Woods and other Government policies is well-known to you), Mr. Dedman made some excuses for the attitude of the Soviet Government which he did not consider always unreasonable, as, for instance, over the question of the control of atomic energy. He agreed, however, that the inability to reach agreement on the level of industry in Germany was the fault of Russia, but he suggested that if Russia was



not prepared to co-operate in the planning for the development of the economy of Germany, steps should be taken to rehabilitate that part of Germany not under Russian control. As he saw it, one of the biggest problems in the world to-day was that of the speedy reconstruction of German economy. Much of the economic difficulty at the moment arose out of the lack of balance between the productive capacity of North America and the rest of the world, and unless steps were taken to correct this, other countries would be forced to adopt measures similar to those of the United Kingdom. Such measures in turn possessed dangers because without an export market the United States might face a recession, which would inevitably have repercussions in other countries. This matter of the balance of productive capacity, he believed, arose out of the unfair distribution of the burden of the cost of war and the only right way to balance it was for the United States to make available to the rest of the world assistance on a very liberal scale.

12. Reverting to Russia, he suggested that the only way to create friendly relations between Russia and other nations was to show the Russians that democracy could work and that the democratic countries must create an economic state in the world outside Russia of which they could be proud, and which would give the peoples a standard of living far beyond anything they had at present.

13. Other Opposition speakers did not add much to what had already been said. Generally, criticism was to the effect that in its broad outline Australian foreign policy lacked consistency and tradition, and dissipated its forces in matters of no concern to Australia nor of assistance to Australian security. Mr. Lang, who has lost none of his powers of vitriolic and destructive criticism by reason of age or long sojourn in a political garden of his own, managed to summarise most of these criticisms in the course of a single column of *Hansard*, which might well have qualified for Pope's definition of true wit—"What oft was thought, but n'er so well expressed." The foreign policy of the Government, he said, consisted of meddling and muddling. It meddled in everybody else's business, and muddled in its own. It poked its nose into Greece, Egypt, Palestine, Albania and Indonesia. It put itself forward as the conscience of the world; it played the policeman abroad and acted the fool where the real interests of Australia were at stake. It had no settled foreign policy. One day it supported Russia and the next it was taunting the Russian bear.

The result had been that Australia had lost friends all over the world, and lost them far more rapidly than they had gained them. Having thus got comfortably into his stride, Mr. Lang continued in a similar vein until stopped by the expiry of his time, at which point he appeared to be about to advocate withdrawal from the United Nations.

14. In the absence of Dr. Evatt, the Prime Minister wound up the debate for the Government. Replying first to the accusations of a policy of appeasement, the Prime Minister stated that the greatest concessions ever made to Russia were made by President Roosevelt and Mr. Churchill, both Conservative war leaders. He did not, however, wish to condone what Russia had done, and regarded Russian representatives at the United Nations as having been most unreasonable. It was, however, the duty of every public man to do what he could to bring about an understanding among the nations, including Russia, and he believed that it would be criminal for Australia to stand apart (as it had been suggested by some speakers) from the councils of the nations.

15. Turning to events in Asia, he said he had observed a tendency in Australia to attribute to Communism all the disorders which confronted the world to-day. In his opinion the present upsurge of nationalism in the East had nothing to do with Communism. So far as Indonesia was concerned, the Australian Government was not taking sides in the dispute, and ultimately the Dutch and Indonesians would recognise that Australia's action had done something towards stopping bloodshed. His relations with the Dutch Ministers in Canberra, particularly the present Minister, had been most friendly (a statement which ignored a serious public altercation about a year ago with the present Minister's predecessor), and they had explained to one another the difficulties with which they were confronted. Concluding, the Prime Minister stated that the one thing necessary for the world to-day was complete co-operation, no matter what the difficulties, between the British Commonwealth of Nations and the United States of America. He believed that the future peace of the world depended upon that co-operation. He only wished that there were general agreement upon this, as there were certain persons both in this country and in the United Kingdom—and it was not the attitude of Socialists in the United Kingdom—who had shown antagonism towards the United States of America. The co-operation between the British-speaking peoples which existed



during the war must continue. There was a tendency to say that in the present economic crisis in Great Britain the United States were not doing all they might to help Great Britain, but as he saw it, the rehabilitation of Europe was vital to the rehabilitation of Great Britain, and whatever might be the feelings of revenge against the German people there could not be a prosperous Europe without a prosperous Germany. Much hard and conscientious work would be required of the peoples of all countries, including Australia, to restore economic equilibrium.

Whatever might be the difficulties in international relations to-day, every public man had a duty to add his mite in an endeavour to overcome obstacles and enmities that threaten the peace of the world, and for that reason he regretted speeches by some Honourable Members that almost constituted war speeches.

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I have, &c.

W. C. HANKINSON,  
For High Commissioner.

C.R.O. ref. F 2372

F.O. ref. W 8738/25/68

No. 14

(Extract)

### AUSTRALIAN FOREIGN POLICY

*Mr. Williams to Sir E. Machtig. (Received in Commonwealth Relations Office  
22nd December)*

Canberra,

My dear Machtig, 10th December, 1947

In my despatch No. 367 of to-day I have sent you a summary of recent debates on foreign affairs.

\* \* \* \*

2. It is perhaps sometimes difficult to recognise, what is the true course of Australian foreign policy. Dr. Evatt's own actions are, indeed, based primarily upon a brilliant opportunism that has allowed him always to retain the initiative, and it is not in them that one should seek any indications of long-term objectives. For 150 years, Australia, aloof from the main flow of world affairs, and sheltered behind the power of the British Navy, has been able to afford the luxury, if she so wished, of having no foreign policy at all. In spite of that, however, there seem to be three main trends that may be discerned, and of which there was evidence in the recent debates.

3. Of these the first is the fear of attack from the north. Whenever she has believed that such a risk appeared, Australia has always been prepared to think out her own policy, and, if necessary, to act upon it. Thus, in the eighties of the last century, the reaction of the Australian Colonies to German encroachment in New Guinea proved extremely embarrassing to the United Kingdom Government of the time. By the mid-thirties of the present century, Australia was developing her own pan-Pacific policy which, whilst doubtless

flattering to her growing sense of nationalism, was also related to the increasing instability in the Far East, and it was Mr. Menzies, and not Dr. Evatt, who first pointed out that what is the Far East to Europe is the Near North to Australia. With the defeat of Japan and the belief that the forces of the United States lie between Australia and any Russian advances in the Pacific, Australian attention has been concentrated upon the growing nationalism in South-East Asia. The contrast between the "half-empty spaces" of Australia and the "teeming millions" of Asia has, of course, long provided a familiar catch phrase. It has now developed a new urgency. The policy of the Government is clearly one of appeasement of the Indonesian Government at the expense of the Netherlands Government, with which Australia's relations are no more than coldly correct. It has received valuable help in this policy from the long-standing ban of the Waterside Workers upon the loading of Dutch ships. The Government has always refrained from any effective intervention in this matter, and it is hard to believe that it is not in fact very grateful to the union for providing such a convenient solution to its difficulties—indeed, some officials have said as much in private. It is of course too soon to say whether the present policy will bear the expected fruits, though gratitude for past favours, unaccompanied by present advantages, is not perhaps a virtue often exhibited in international affairs, and the



Government's hopes, as was made plain in the recent debates, were not shared by the Opposition.

4. Whilst this first trend, which is purely defensive, has long been evident, it is only recently that Australia has developed a fairly marked Pacific Imperialism. The early administration of Papua can scarcely have been a source of much satisfaction to Australians, but during the administration of the late Sir Hubert Murray Australians learnt to become proud, with some reason, of their colonial achievements. With the acquisition of the New Guinea mandate, Australians began to see their country as a Colonial Power, and the remarkable development of the central New Guinea goldfields, only made possible by a bold pioneering use of air transport at a time when air transport was in its infancy, gave that touch of glamour required to capture the popular mind. By the outbreak of the war Australia had begun to regard New Guinea as part of the Australian tradition, and colonising as an Australian mission.

5. This tendency has been greatly accentuated in recent years, partly because of the large number of Australians who served in the Pacific area and, in academic and political circles, because of a genuine growth of anthropological studies and their application in the field, and of an equally genuine, but less disinterested, growth of nationalism. The Wellington Pact has been, and the South Pacific Commission will doubtless become, valuable instruments in the development of this policy, and whilst it has perforce been carried out in recent years by a Labour Government, there is no reason to believe that the Opposition, if returned to power, would have different aims, though it might have different methods. From an Australian point of view, the simplest solution of these ambitions (and one at which officials may hint in their more unguarded moments) is the transfer of the United Kingdom Pacific Colonies to Australian administration.

6. The first of these trends is largely one of instinctive self-defence; the second the product of a growing national awareness. Of over-riding significance, however, is the connexion with the United Kingdom.

7. This is not the place to examine the cause or extent of the ties—traditional, cultural, economic and sentimental—between this country and the United Kingdom. They exist irrespective of party, and are, perhaps, taken so much for granted as at times to be overlooked. They appear, at times, in rather odd places—in a Parliament where bitter personalities, and points

of order occupy overmuch of its time, the most-quoted book is "May." They are seen clearly in the popular support of the "Food for Britain" movement, and, still more, in the immense number of parcels that private individuals delight in sending. Few Australians have not still some relatives in the United Kingdom, or close connexions, now in Australia, born in the United Kingdom. The bookshops are filled with English books, students will continue their studies in the United Kingdom and London still beckons to the Australian artist or musician in search of fame and fortune. To stress the sentimental connexion between the two countries is in no way to underestimate the economic and political factors, but they probably do more than anything else to maintain an attitude of mind in the ordinary Australian elector, that, while not detracting in any way from his Australian nationality, still means that, when he looks beyond, he looks first to the United Kingdom.

8. It may seem clever for the outside observer to disparage this feeling; it is unwise for a politician to ignore it. Whilst the first shock after the fall of Singapore helped to condone some of Dr. Evatt's more hysterical outbursts, the reaction soon set in, and now Dr. Evatt seldom fails to pay tribute to the United Kingdom, and to assure his listeners of the closeness of the understanding between the Australian and United Kingdom Governments. This will not, of course, prevent Dr. Evatt, when it suits his tactical needs of the moment, from indulging in the time-honoured sport of twisting the lion's tail, but he has now learnt to twist with discretion, and, in between, to tell his audience what a fine lion it really is.

9. It might have been thought that with the change in the strategic situation, and the emergence of the United States as easily the preponderating power in the Pacific, the attitude to the United Kingdom connexion of the Australian Government and public might have changed. The need to rely in defence matters primarily upon the United States is frankly admitted, by none more than by the Opposition, but respect for United States power and achievements has not developed into affection or unquestioning trust. It has, indeed, by contrast, emphasized the importance of retaining the British connexion.

10. The record of United Kingdom-Australian relations in the last few years has not been without its exacerbations. For most of these we may thank Dr. Evatt, but it would be unwise to assume that even if



he were removed from the scene, a honeymoon spirit would immediately return. Australia's Pacific interests and ambitions must sometimes run counter to those of the United Kingdom. But to the extent that they do, a wise recollection of the goodwill, affection and respect for the United Kingdom that remains in Australia will still prove the most effective aid to United Kingdom Ministers in considering their long-term policy and in retaining a just balance between the vital interests of the two countries. An appeal to it, if made with reason, is not likely to be overlooked.

11. As you will see, I have only touched on these matters in the broadest outline. Nor have I referred to the White Australia policy which must be recognised as one of the fundamental articles of faith of every Australian. Whether they will be able to maintain this faith in all its purity remains to be seen. There are indeed signs amongst the more liberal-minded Australians that it may require some modification both to avoid unnecessary hardship in individual cases and more particularly for fear of retaliation

from Asiatic countries. This is, however, a matter of some speculation, and for the time being one must regard the maintenance of the White Australia policy as assured.

12. At the risk of appearing to labour a point, I should like to repeat that, as I see it, certain of these fundamental aims of Australian policy, *e.g.*, their growing imperialism, may well run counter to what are, I believe, United Kingdom policy and interests. If, however, we are prepared to recognise this in good time, decide what are our own objectives beyond which we shall not be prepared to budge, and then rely upon the genuine goodwill and respect for the United Kingdom that is held by the great majority of Australians, we may expect a continuance of understanding and support from this country. What we must avoid is a policy of reluctant and belated withdrawals to unprepared positions in the rear.

Yours sincerely,  
E. J. WILLIAMS.



## CHAPTER II.—CANADA AND NEWFOUNDLAND

### (A) Canada

W 13/13/68

No. 15

### CANADA IN 1946

*Memorandum by the Right Hon. Malcolm MacDonald (United Kingdom High Commissioner in Canada 1941 to 1946)*

This is a political portrait of Canada, "warts and all." It is not a full-length picture, but only a sketch, since those who study it will not wish to be bothered with much detail. For this reason it perhaps presents the situation in an over-simplified form.

#### Canada's Size and Variety

2. Geographically Canada is immense. Most people do not realise that its land surface is considerably larger than that of the United States, although its population is less than one-tenth of that of the great republic. Within this area conditions and problems vary widely. Life in the charming but parochial maritime provinces, in the rich industrial cities of Quebec and Ontario, on the vast agricultural prairie, amongst the fruitful valleys of the Rocky Mountains, along the salubrious Pacific coast and in remote pioneer logging and mining camps "in the bush" presents many contrasts. Nor do people generally comprehend that the Dominion includes almost all the Arctic islands and that one of the nation's problems is the adjustment of Eskimo communities to the impact of white men's civilisation. It is not too late to save that hardy and attractive but simple race from the humiliation and disaster which have overwhelmed the Redskins in North America. But sympathetic and active policies on Arctic health and education, which hardly exist at present, will be necessary to achieve this. In passing one may comment that the Canadians have little right to criticise (if they are disposed to do so, which I doubt) our administration of colonial territories so long as they have not solved satisfactorily their own Eskimo problem.

3. Middle and northern Canada remain comparatively undeveloped. It is a grand, solitary, untamed land where nature is still almost completely undisturbed. Hundreds of thousands of square miles are inhabited only by small, scattered communities of white trappers, traders, missionaries and Royal Canadian Mounted

Policemen, by tribes of hunting and fur-trading Indians and by wandering Eskimo bands on the Barren Lands and the Arctic islands. Otherwise the population consists of multitudes of caribou, moose, bears, foxes, beavers, muskrats, mink and other wild animals. Conditions are in some respects more modern, but otherwise not radically different from the days when this fur-traders' empire belonged to the gentlemen adventurers of England trading into Hudson Bay. Whether the territory will ever acquire a more sophisticated character is doubtful. Perhaps bold innovations like the Alaska Highway and the Arctic Air Route will lead to economic exploitation. But, short of startling scientific discoveries connected with the growing of food, climatic and geological conditions seem too harsh for agricultural expansion and the possibilities of development depend mainly on how much mineral wealth is still locked up in the northern rocks. In a few places prospectors and miners are already scratching and tunnelling the earth with impressive success. At present the Yellowknife district is enjoying a gold boom. Uranium deposits in the neighbourhood of Great Bear Lake may also prove even richer than was expected. But whether economic development will ever amount to much in the north as a whole is uncertain. In any case the answer to that question belongs to the future.

4. The vast majority of Canada's present population lives along a lengthy and comparatively narrow corridor of territory immediately north of the United States border. They total about 11,500,000 people. These are the young Canadian nation, the men and women whose contribution in food and munitions, air-training and ship-building, money and fighting, resolution and self-sacrifice gave such powerful aid to the Allied war effort and added so greatly to their own fame.

#### The National Consciousness

5. I have often marvelled that these people form a united, conscious and active nation at all. Canadian nationhood is by itself a



notable achievement, for many factors might prejudice the position. Historically the citizens of Canada between the Atlantic and the Pacific coasts have been joined together for only two generations; geographically they are thinly spread along a strip of country stretching more than 3,000 miles; politically they are divided into nine different provinces, each with its own Government, Parliament and vested interests; whilst in race, religion and mother tongues they are marked by sharp variations. These are all elements which could lead to discord, disunity and even national disintegration. Yet the Canadians are not just a haphazard collection of sectional groups. They are a people inspired by a national consciousness and pursuing national aims.

6. Nevertheless, some of the divisions to which I have referred have a weakening effect. There is, for example, little love lost between some of the provincial Governments. These nine separate Administrations together compose a patchwork quilt of political party colours. Starting from the west coast and moving to the east, the Government of British Columbia is a Liberal-Conservative coalition, that of Alberta piously professes the dogmas of Social Credit, and that of Saskatchewan is actively Socialist. In Manitoba a Liberal-Conservative coalition Administration rules, in Ontario an undiluted Conservative Cabinet holds office, in Quebec the Government is moved primarily by French Canadian racial sentiments, and the Governments of the three maritime provinces are all staunchly Liberal. Apart from conflicts of policy between themselves some of these administrations tend to quarrel for parochial or party reasons with the Federal Government presiding at the centre. The Conservative Government of Ontario delights in embarrassing the Liberal Government in Ottawa, the Socialist Government of Saskatchewan is hardly less partial to scoring points over their party opponents in the capital, and one of the favourite sports of the French cock in Quebec is twisting the supposed lion's tail in Ottawa. For rather different reasons many citizens in British Columbia are ill-disposed towards the Federal Government. Situated 2,000 miles away, with the towering walls of the Rocky Mountains and the huge stretch of prairie and forests separating them from it, they feel that politicians in Ottawa fail miserably to understand their needs. Their contacts lie south with their American neighbours rather than east with their Canadian fellow-countrymen and this

situation tends to make their Canadian patriotism luke-warm.

7. Canada suffers in fact from the usual weaknesses of a federation. This was emphasised by the failure of the Federal and Provincial Governments in the recent important Dominion - Provincial Conference to agree on a fresh adjustment of their respective powers. The Federal Cabinet proposed an extension of their authority to meet the requirements of modern developments in government. Most of the provincial Ministries were prepared to grant these, but those of Quebec and Ontario refused except on conditions unacceptable to Mr. Mackenzie King and his colleagues.

### **French and English**

8. The most serious clash in Canada, however, springs from racial causes. Different sections of the population have different national origins. In western Canada Ukrainian, Polish, German and other foreign-speaking communities are of increasing significance. But the most difficult and even dangerous division is that between the Canadians born of French and those born of British stock.

9. Those of French origin now compose almost one-third of the total population, whilst the British are less than one-half. The former, numbering about 3,500,000, live almost wholly in the province of Quebec and neighbouring areas. They therefore form a more or less concentrated French *bloc* in a large part of eastern Canada. They and the English-speaking Canadians meet, know and understand each other very little. This is due only in part to the circumstance that geographically they mostly inhabit different parts of the country. There can be little inter-marriage between them because French-speaking Canadians are Roman Catholics whilst the others are generally Protestants. There is little social mixing because few of those of English stock trouble to learn French, the language of the home throughout French Canada. There is little natural affinity between the two because in tradition, temperament and ideas they are different creatures. Since Wolfe captured Quebec in 1759 practically no immigrants have come from France and the average French Canadian is a peasant-farmer more akin to the Frenchmen of pre-revolutionary France than to the Frenchman of to-day. Indeed, French Canadians as a whole have never approved of the French revolution. They are bound to the past by social ideas and religious institutions which the people



of their mother country largely discarded in the bloody events which overwhelmed Old France thirty years after New France ceased to have a political connexion with it. They are simple, conservative, charming, song-loving people with sterling natural qualities; but they are poor, badly educated and priest-ridden. The gulf in character between them and their English- (and Scots-) speaking compatriots is difficult to bridge. The latter have been too busy laying the material foundations of a new nation to enjoy much leisure and imbibe much culture. Distinctive Canadian literature, painting and music are only at their beginnings. But although the English-speaking Canadians are, on the whole, unscholarly and inartistic, they definitely belong to the twentieth century, with up-to-date, forward-looking ideas on economic, social and political questions.

10. These differences do not divide the best representatives of the two races in Canada. In spite of the distinctions of language, tradition and religion, many of the leaders of both meet as intellectual equals, kindred spirits and natural friends. For example, they work together cordially as colleagues in the Federal Cabinet. Yet, even so, they are distinct from each other. French Canadian leaders have to express the general feelings of their racial followers, just as many English-speaking leaders must faithfully represent their section of the population. And French-speaking Canadians as a whole have a "chip on their shoulder." They are a minority in a land where they were once masters; they still feel something of the bitterness of a defeat which took place two centuries ago; and they charge the English-speaking majority with depriving them of their minority rights. Worse schooled than other Canadians, their young men and women do not compete on an equality for high appointments in the professions, industry and Government service. Their comparative lack of success is often quoted as a grievance, French Canadian extremists saying that it is a consequence not of the comparative merits of rival candidates but of deliberate racial discrimination. Many Roman Catholic priests exploit the natural prejudice of their faithful, even subservient, flocks to foster dislike of the English. As these priests are largely in charge of education in French-speaking Canada, they seize the opportunity to teach this hostility in the classrooms. Their history text-books, for example, were for long full of misrepresentations of British achievement and rule in Canada. All these causes have led to a

deep-seated hostility in Quebec towards English-speaking Canadians. Modern enlightenment is beginning to dispel it, but the process will be slow.

11. English-speaking Canadians must share the blame for this unhappy state of affairs. Many of them do not hide their contempt for the old-fashioned Quebecers and they make little effort to understand the "habitant's" point of view. They refuse to make the concession of speaking French. Even the French Canadians' best friends in the other community do not bother to do this. The bridge of common speech has to be built by the French-speaking Canadians. Many of them are bilingual. But they are sensitive and resent their fellow Canadians' superior indifference to their beloved mother tongue.

12. Hostility in English-speaking circles towards the French is aggravated by another consideration. As usually happens in such a situation, just as the French section of the population argue that their views are not taken into sufficient account by the English-speaking majority, so the latter assert that these views are heeded more than they deserve, that the French-speaking minority have too much influence. In this they are right and the French are wrong. For a long time the Federal Government have been more sensitive to French Canadian opinion than the numbers of French Canadians and their contribution to the national life strictly warrants. Yet political expediency demands this. Any other course would provoke the French into violent protest which might even lead to grave civil strife. This thought naturally does not appease the English. The fact that many of the hotter heads amongst them say openly that the issue can only be settled by civil war and the military reconquest of Quebec shows how explosive the situation might become.

13. Much of this intolerance (so uncharacteristic of the British race as a whole) is really due to fear. The English-speaking Canadians know that although the French are a minority now, there is every likelihood of their becoming a majority later on. The French peasants produce large families. Lusty, fertile and allergic to birth-control, their average families are two or three times the size of those of the English. They make little secret of their intention to achieve a French-speaking majority in Canada in God's good time. That is the reason why they oppose new immigration into Canada.

14. The consequences of all this are bad. At the best of times relations between the



two principal races are uneasy and suspicious. At the worst of time they flare into violent hostility. On such issues as conscription in war the situation grows ugly and is in danger of reaching breaking-point. I have written of that in despatches from Ottawa and need not dwell on it in this sketch.

15. I have enlarged on this unsatisfactory state of affairs between the two principal racial communities because it is the central fact of Canadian national life. Its existence must be frankly recognised. Its significance can be exaggerated by alarmists, but it can also be underrated by wishful thinkers. In my opinion the situation is still profoundly disturbing. It is the Canadians' first and most difficult domestic problem. No one from outside can do much to help them solve it. They must work it out for good or ill themselves. The initiative is hardly likely to come in any large measure from the French-speaking Canadians. If and when Quebec's educational system becomes better, the situation will improve. But English-speaking Canadians could do much immediately to help. If they troubled to meet their fellow-countrymen in French Canada, to converse with them in their own language, to explain to them the free and tolerant principles and practices of British and Canadian government, and to discuss with them not their differences of race, religion and temperament but their common interests as Canadians, better relations would blossom.

16. Fortunately, the sense of common interests is steadily increasing. As I have already emphasised, in spite of provincial and racial differences the Canadian people as a whole are moved by a sense of nationhood, a pride in Canada and a feeling that Canada has a noble mission to perform in the world. Even when the population was riven by the conscription issue during the war this Canadianism found expression in a magnificent national war effort. I need not expand on this, for it is known throughout the world. Canada's enhanced reputation and importance as a result of her agricultural, industrial, financial, military and diplomatic power in war will further stimulate national patriotism. Many of the ablest young men in public life are preaching it. Now that victory has been won and the wound which conscription always inflicts on the body politic has begun to heal, the two races will tend to forget their differences and co-operate for the greater power and fame of their country.

### **The Inevitability of Compromise**

17. Certain weaknesses flow from the racial conflict. The need to try to keep the two principal sections of the population more or less together leads the Government to make compromises in many departments of policy. These sometimes affect matters in which we in the United Kingdom are interested, such as immigration, defence co-operation and the concert of our foreign policies. We must be forebearing and understand that these compromises are inevitable if a head-on racial clash in Canada is to be avoided. The first duty in internal political affairs of any Canadian statesman worthy of the name is so to conduct national policy that the greatest possible measure of harmony is maintained between the English-speaking and French-speaking Canadians.

### **Canada, Britain and the United States**

18. Canada's policy in external affairs is determined primarily by her relations with the United Kingdom on one side and the United States on the other. To both she is bound strongly by self-interest and sentiment. The geographical, political and strategic reasons for this in each case are obvious and need not be described here. Canada cannot afford to be estranged from either her senior partner in the British Commonwealth of Nations or her great neighbour across her land frontier. If the Canadian Government conducted policy in a way which resulted in a serious breach with either of these Powers, her security and influence in world affairs would be weakened and a damaging rift would appear amongst her own people.

19. For the same reason Canadians would be placed in an intolerable position if any unpatchable quarrel arose between the Governments in London and Washington. If those two Governments ever fell out so seriously that the Canadian people had to choose between their friendship with the British and their friendship with the Americans, they would be placed in a cruel dilemma. National opinion on the issue would be divided and whichever way the choice went national unity would be severely strained, if not broken. Therefore, just as the first object of Canadian internal policy must be the promotion of co-operation between the English-speaking and French-speaking Canadians, so the first object of Canadian external policy must be the maintenance of co-operation between the United Kingdom and the United States.



20. Naturally the Canadians are anxious also to establish friendly relations with Russia. Besides being one of the biggest Powers, Russia is a neighbour of Canada. If war broke out between Russia and the Anglo-Saxon democracies, the dominion would probably become a battleground, for the Canadian west and north-west would be a "no man's land" between the two chief protagonists, the United States and the U.S.S.R. Canada's desire for good relations with Russia therefore springs from the strongest of all instincts, self-preservation. Yet she attaches much less importance to this than to her friendships with the United Kingdom and the United States. The Canadian Government proved this several months ago when they fearlessly unmasked the Russian spy organisation in Canada and defied Moscow in a matter which might earn them the Kremlin's bitterest hostility.

21. Canadian anxiety to remain on the best possible terms with both the United Kingdom and the United States again leads to a policy of compromises. Whenever a difference of opinion arises between London and Washington Ottawa tries to find a basis for agreement between them. Sometimes this annoys us and occasionally it seriously embarrasses us. But once more we must show understanding and recognise the Canadians' deep sense that their secure existence as a nation is conditional upon concord between their great partner across the Atlantic and their great neighbour across the 49th Parallel. No doubt this sometimes leads them to be over anxious for agreement at any price between the two. It pushes Canadian Ministers into a position where we sometimes think them too timid in standing up to the United States. But let us remember that at the same time the Americans are probably charging them with being too subservient to us. In any case, their desire to act the part of mediator whenever necessary between the United Kingdom and the United States is dictated by dire necessity from their point of view, is a fixed element in their external policy and must be both understood and accepted by us.

22. It is true that in their anxiety always to secure Anglo-American agreement they sometimes seek to over-persuade us to make concessions to the Americans. They are occasionally too timid in their attitude to the Americans. With this qualification, however, they are good judges of American character and thought. They know their Americans well and understand them better than most other foreigners do. A kind of

North-American "Cameraderie" exists between the two peoples and they are accustomed to speak to each other confidentially and frankly. Official Canadian advice on American affairs is therefore usually sound. When the Canadians say that the American reaction to such and such an issue will be this or that, they generally have good reasons for their judgment. I think the Canadians can be valuable partners to us in difficult negotiations with the United States.

23. Some people believe that as between the United Kingdom and the United States, the Canadians have already made their choice in favour of the latter. They urge that the Canadian outlook on affairs is little different from the American and that Canadians are influenced to the point of subservience by American thought. This view is incorrect. The Canadians are a people of independent mind—independent both of the Americans and, in spite of their sentiment for us, of us. But such mental leanings as they have in favour of either the United Kingdom or the United States are mostly in the direction of the former. A supreme example of this was the Canadians' conduct in September 1939. Although the Americans were opposed to fighting and remained neutral for more than another two years, the Canadian Parliament decided to enter the war immediately at Britain's side. They did not pay over-much heed to American opinions or interests, but were swayed by those of Britain, which they believed to be also their own. It is significant that they were the only people on the continent of North, Central and South America who declared war before the direct attack on United States territory at the end of 1941.

24. Nor does this affinity with the United Kingdom rather than with the United States appear only in times of crisis. In some measure it is instinctive and constant. American newspapers, periodicals, books, broadcasts, tourists, conversation and other vehicles of expression pour daily across the border into the Dominion. They are bound to have a considerable influence on Canadian thought in general, although many Canadians dislike and resent this. Yet in spite of it the Canadian character and mind remain British (or, counting the inherited French influence, European) rather than American. Evidences of this during my five years in Canada interested me greatly.

25. It showed itself, for example, in this way. Usually during the war the high political authorities in London and



Washington agreed on policy; but every now and then they disagreed. Under the system of exchange of information between members of the Commonwealth these disagreements were reported to Canada and the other dominions. In about four cases out of five the instinctive Canadian reaction to the issue involved was similar to ours and not to the American. In some cases the Government in Ottawa agreed with the Americans rather than with us, but generally they were much more inclined to our side of the argument. Their instincts, their attitudes to affairs, the way their minds worked were British rather than American.

26. Moreover, the Canadians resent the tendency of the Americans "to throw their weight about" in international affairs. As is plain from what I have written, they prize their independence. They realise that it is more threatened by the United States than by the United Kingdom. Within our Commonwealth system Canada is completely free. The United Kingdom authorities do not attempt to interfere or dictate in the Dominions internal or external affairs. On the contrary, we are extremely careful to respect Canadian national rights and susceptibilities. The Americans, on the other hand, sometimes attempt to boss the Canadians, to use their power to impose policies on them. Political authorities in Washington no less than commercial interests in New York do this. It is sometimes due to blundering tactlessness rather than deliberate aggressiveness on the part of American administrators, but it irritates the Canadians and often makes them feel uncomfortable with their powerful neighbours. Their official relations with us are much easier and more mutually understanding. Again, whilst Canadians like and admire the magnificent qualities in American democracy, they are fully aware of American shortcomings. The unreliability of American promises, the crude boastfulness of Americans and their national selfishness constantly annoy the authorities in Ottawa. They contrast these unfavourably with British reliability, reticence and tolerance. They criticise our faults, but they feel much surer and happier working with us than with the Americans. These are additional factors binding them to their partnership with us.

27. At the same time, however, the Canadians cannot afford to compromise their close and friendly relations with the United States. Moreover, for practical reasons many of the younger men in the Canadian Services and industry have a hankering after closer co-operation with

the United States, rather than with us, in naval, military, air force and economic matters. Their influence is gaining strength. So the pulls of the United Kingdom and of the United States on Canada are nicely balanced.

28. Before the war there was perhaps a tendency for the influence of London in Ottawa to decline and that of Washington to increase, because London was far away and Washington comparatively close. The continuous stream of excellent cables expounding British policy which flowed from the Dominions Office to the Department of External Affairs could not counteract the disadvantages of geography. Paper is a poor substitute for people when it comes to fostering close co-operation between nations. Two thousand miles of choppy ocean kept us from holding frequent personal meetings with the Canadians, whereas visits were constantly exchanged across their land frontier between personalities in the American and Canadian capitals. The trans-Atlantic aeroplane, which flew into its own during the war, has changed all that. London is nearer to Ottawa by aeroplane than Washington is to it by train, and the quicker flying time from Washington does not make any practical difference. Our Ministers, high officials, service chiefs, industrialists, trade union leaders and others can easily cross the ocean for a few days' or even a few hours' consultation with their Canadian colleagues, and their Canadian opposite numbers can return the visit. This is a development of far-reaching importance. In my opinion the chief reason—apart from common zeal for a common cause—why co-operation between the United Kingdom and Canada throughout the war was so close and almost invariably unruffled was the existence of the trans-Atlantic aeroplane. Whenever a disagreement looked like becoming serious the R.A.F. Transport Command enabled responsible authorities on both sides of the Atlantic to meet, sit round a table together and resolve the trouble in direct discussion. As a result of this regular practice personalities in the two Governments got to know, understand and generally like (or at least respect!) each other in a measure which in pre-war days would have been impossible. Instead of being strangers with a vague political attachment to each other they became colleagues and friends accustomed to work in personal comradeship together. We in Ottawa watched understanding between the two countries grow by leaps and bounds as a result of this process. It must be continued and developed in peace.



Provided that the United Kingdom representatives in these mutual exchanges maintain the high standard of ability and quality that their war-time predecessors attained, it will be one of the best guarantees that Britain's influence in Canada remains strong.

### Canada and the British Commonwealth

29. Enthusiastic imperialists in Britain are inclined to assert that Canada's feeling for the British Commonwealth is lukewarm and her support of it weak. This is a mistaken belief. The attachment of most Canadians to Britain is deep, constant and, in a crisis, passionate. Twice in a generation they have proved this gloriously in the supreme trial of war. Even French-speaking Canadians, who are always ready to voice suspicion and criticism of Britain's alleged imperialism, know in their heart of hearts that the surest guarantee of their freedom and enjoyment of minority rights is continuing association with Britain. For this reason they in fact feel more friendly towards us in Britain than they do towards their own English-speaking fellow-countrymen.

30. Canadian loyalty to Britain extends to the other members of the British Commonwealth of Nations, but in much less warm degree. If Britain disappeared tomorrow, I doubt whether Canada would bother greatly to maintain brotherly relations with Australia, New Zealand, South Africa and Eire. She would concentrate on strengthening her ties (without surrendering her sovereign independence) with the United States. But because Britain is its centre and head, Canada remains attached to the British Commonwealth and preserves a tolerant and friendly regard for the other junior partners in the concern. The comradeship of war has helped this. On the other hand, the Canadians feel that theirs is a larger, stronger and more important nation than these others, and they are eager to emphasise its individuality as distinct from theirs. They dislike intensely the tendency in London to talk about "the Dominions" and "the Dominion point of view," as if the overseas nations of the Commonwealth were a set of quintuplets of exactly the same age, character, mentality and capacity. They urge that each dominion has a separate individuality, different from every one of the others, and that instead of a standardised dominion point of view existing there are five distinct points of view determined by the different characters and circumstances of each country.

31. In spite of Canada's fundamental attachment to Britain and the Commonwealth, most Canadians are reserved in their expressions of it. A small minority are vociferous and perfervid in declaring their devotion to the Empire, but this only makes the others more reticent on the subject. Three reasons prompt this. First, "waving the Imperial Flag" plays into the hands of the French-speaking extremists by allowing them to arouse the worst prejudices of French-speaking Canadians. Second, too many public avowals of Canada's unswerving membership of the Commonwealth are apt to lower Canada's status in the eyes of the Americans, some of whom are still inclined to suppose that Canada is an obedient slave of Britain. Third, whilst being loyal citizens of the British Commonwealth Canadians themselves are jealous of Canada's position as a separate, sovereign nation and are averse to proclaiming association with the Commonwealth to an extent which appears to prejudice that position. We must not misunderstand this nor underestimate the true devotion of most Canadians to the Commonwealth in general and to Britain in particular.

### Reasonableness of Canadians

32. In spite of their various attachments in this or that direction most Canadians are not emotional. Sentiment plays little part in their judgments on public affairs. They are dispassionate. No doubt exposure for several months every year to temperatures many degrees below zero helps to make them so. I never met a group of Ministers and officials more ready to judge issues on the strict merits of the case, by a process of reason to the exclusion of sentiment. Their policy, like that of every other people, is, of course, based primarily on Canadian self-interest. But it is an enlightened self-interest. They have qualities of sanity, wisdom and far-sightedness which are uncommon. No doubt because of their long training in British methods of government and their long association with us (as well as because life has been tougher for them than for the Americans) they are more mature than the Americans. They are the leaders neither of a small nation uncertain of itself and therefore inclined to be bumptious, nor of a great nation tempted to play power politics. They represent a "middlesized" nation whose security and prosperity depends on an orderly and peaceful international system, and, having no other axe to grind, they can the more easily take an objective and rational view of external problems.



### The Future

33. Canada has emerged from the war economically and militarily much stronger than she was before, and with an enhanced political reputation. I have sketched her weaknesses. They are serious and encumbering. Nevertheless, as I have also observed they are more than counter-balanced by the unity, pride and confidence which the Canadians feel in themselves and their country. In spite of the young nation's difficulties, it has found itself and is growing steadily in stature. It is not yet one of the powers-that-be, but it shows some of the marks of a power that is to be.

34. The qualities which have made Canada sturdy and sane are the qualities of her people as a whole. They are not an illusion created by great leaders. Canada has known Prime Ministers with character, ability and vision, like Sir John MacDonald and Sir Wilfrid Laurier. None of them has been more remarkable than Mr. MacKenzie King. Whilst other statesmen have come and gone he has shown an extraordinary tendency to go on for ever. Having exceeded in June 1946, Sir John MacDonald's immense period of office by retaining the Premiership for nineteen years he is now sprinting forward to break the record of the only Prime Minister of a British country who has ever governed longer, Sir Robert Walpole. His enemies attribute his success to luck. But although luck sometimes plays its part, politics are a game of skill, not chance, and Mr. MacKenzie King's uncanny and unfailing ability at playing it has made him the world's most invincible party leader. But he is much more than that. Long experience, cool judgment and wide vision

have made him a sound and progressive professional statesman. He stands head and shoulders above any other public figure in Canada. He has dominated the political scene there for nearly a quarter of a century.

35. Yet Mr. MacKenzie King's technique of government is the opposite of that of the masterful leader. His policy is a faithful reflection of his countrymen's political thoughts and desires, and he retains their support year in and year out, election in and election out. He is now, however, 72 years old. In the nature of things he cannot stand the strain of modern democratic leadership much longer. His departure from the scene will make a considerable difference in the relations between persons and the balance of parties in the Canadian Government. But it will make no difference to the main features and trends of Canadian character and policy.

36. Other men will carry on where he leaves off. Though amongst his own contemporaries no one can equal his gifts, amongst the younger men they can be matched. If they are not to be found in the same measure in any one individual, they are spread amongst several. In Ottawa there is a group of young politicians, civil servants and other public men endowed with remarkable abilities. They work as a team and are formidable. Their ripening wisdom, unselfish patriotism and humane outlook are amongst Canada's finest human assets. In command of her affairs they will assuredly raise the nation's influence and power to new heights.

MALCOLM MACDONALD.

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No. 16

## THE FOUNDATION OF CANADIAN POLICY IN WORLD AFFAIRS

Lecture by Mr. St. Laurent at University of Toronto

*Sir A. Clutterbuck to Viscount Addison. (Received in Dominions Office, 28th January)*

(No. 20) Ottawa,  
My Lord, 22nd January, 1947

I have the honour to inform you that a lectureship has recently been established in the University of Toronto in memory of a young Canadian from Ontario, named John Gray, who lost his life in the war and who had taken a keen interest in seeking to bring about a better understanding between French- and English-speaking Canadians.

2. The first lecture of the new foundation was recently given and Mr. St. Laurent, the Secretary of State for External Affairs, was invited to deliver it. Mr. St. Laurent took as his text "The Foundation of Canadian Policy in World Affairs" and I enclose herewith copies of his address.

3. It will be seen that Mr. St. Laurent sought to establish the basic principles governing Canadian policy in international



affairs and also dealt with the practical application of those principles. The address was thus necessarily in somewhat general terms and no striking declarations of policy were to be expected. But it is known that the Department of External Affairs attached considerable importance to the occasion, not so much for the substance of the address as for the fact that this was virtually the first time in recent years when a considered statement has been made by the responsible Minister on the background of Canadian foreign policy. From this point of view the speech is of value as a whole, but I would draw special attention to the passages on Commonwealth co-operation and on relations with the United States on pages 7-9 of the address.

4. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador in Washington.

I have, &c.

(For the High Commissioner),

J. J. S. GARNER.

Enclosure in No. 16

*Text of Address delivered by the Rt. Hon.  
L. S. St. Laurent, Secretary of State for  
External Affairs, Toronto, Monday, 13th  
January, 1947*

## THE FOUNDATION OF CANADIAN POLICY IN WORLD AFFAIRS

### I.—Introduction

I propose to make this lecture an enquiry into the foundations of Canadian policy in world affairs. We, in Canada, of English and French origin, have embarked on the joint task of building a nation. One aspect of our common enterprise is our external relations.

A policy of world affairs, to be truly effective, must have its foundations laid upon general principles which have been tested in the life of the nation and which have secured the broad support of large groups of the population. It is true that differences of opinion about foreign policy must continually be reviewed in discussion and debate inside and outside of Parliament. Such discussions, however, can result in constructive conclusions only if they take place against the background of a large measure of agreement on fundamentals.

It may be objected that we are not old enough as a nation to have worked out such agreed principles. But let us not forget that much which forms the basis of our

agreement in that respect is the result of circumstances over which we have had little if any control. The century-old struggles between France and England, their rivalry in the New World, the Battle of the Plains of Abraham, the Treaty of Paris of 1763, the revolt of the Thirteen Colonies, the wave of more liberal thinking unleashed by the French Revolution, the geography, the climate, the kind of natural resources of our country all tended to create conditions for our ancestors and tend to create conditions for our own generation which lead to almost inevitable results. They have forced French-speaking and English-speaking men and women to live side by side as members of the same community. They have inspired them to work together to obtain an ever-increasing measure of self-government; they have tempered the resistance of the metropolitan government to this healthy development; they have made natural and easy the creation of an economy productive of large surpluses of certain kinds of commodities and lacking in certain other kinds, and thus dependent in an extraordinary degree upon exchange and trade to get some benefit out of the surpluses and to secure the commodities not available from our own production.

We are now within close range of two significant anniversaries in the life of this nation. It is almost exactly a century since the decision was taken that the affairs of this part of the world should be conducted upon the principles of responsible government. For a hundred years, therefore, French-speaking and English-speaking people living in the valley of the St. Lawrence River and the Great Lakes, together with their fellow-countrymen elsewhere across this continent, have been engaged upon the experiment of building, on their own responsibility and under their own direction, a modern nation. It is, as it had to be, a nation constructed on the foundation of two cultures and two languages. A century ago the Canadian people in winning responsible government staked their future on the political principles which had been defined in Lord Durham's famous report. They stake their future equally on a denial of Durham's assertion that the country could not survive with two cultures. They said that this could be a free country, notwithstanding that it had also to be a country with both English and French culture. For a hundred years now they have been shown to be right.

The second anniversary of which I would remind you is that of "Confederation"



eighty years ago. It was then that the challenge was accepted to build into a single State the scattered communities which stretched across the northern half of this continent. We have, therefore, been working together on this task of nation building for some considerable time. It is not too soon to look back and determine what principles have had to be and have become generally acceptable throughout this country in the conduct of our relations abroad. When we have defined these principles, we may examine the manner in which we have habitually embodied them in our relations with other States where our associations are especially close. We may also consider them with respect to the international organisations of which we are or have been members.

## II.—The Basic Principles

### (a) *National Unity*

The first general principle upon which I think we are agreed is that our external policies shall not destroy our unity. No policy can be regarded as wise which divides the people whose effort and resources must put it into effect. This consideration applies not only to the two main cultural groups in our country. It applies equally to sectionalism of any kind. We dare not fashion a policy which is based on the particular interests of any economic group, of any class or of any section in this country. We must be on guard especially against the claims of extravagant regionalism, no matter where they have their origin. Our history has shown this to be a consideration in our external policy of which we, more even than others, must be perpetually conscious. The rôle of this country in world affairs will prosper only as we maintain this principle, for a disunited Canada will be a powerless one.

### (b) *Political Liberty*

Second amongst the ideas which shape our external policy I will place the conception of political liberty. This is an inheritance from both our French and English background, and through these parent States it has come to us from the whole rich culture of western Europe. It is a patrimony which we ourselves have enlarged by working out on our own soil the transition from colony to free community. These are days in which the vocabulary of political thought has been so debased that there are many familiar coins that one hesitates to lay on the counter. I make no apology, however, for speaking to a Canadian audience of political liberty because I know that this phrase has content

for us. I know, also, that we are all conscious of the danger to our own political institutions when freedom is attacked in other parts of the world. In the complex series of events which twice in a generation has led us into war, we have been profoundly influenced in our decisions by the peril which threatened the democracies of western Europe. From our joint political inheritance, as well as from our common experience, we have come as a people to distrust and dislike Governments which rule by force and which suppress free comment on their activities. We know that stability is lacking where consent is absent. We believe that the greatest safeguard against the aggressive policies of any Government is the freely expressed judgment of its own people. This does not mean that we have ever sought to interfere in the affairs of others, or to meddle in situations which were obviously outside our interest or beyond our control. It does mean, however, that we have consistently sought and found our friends amongst those of like political traditions. It means equally that we have realised that a threat to the liberty of western Europe, where our political ideas were nurtured, was a threat to our own way of life. This realisation has perhaps not been comprehended or expressed by every group and every individual in the country with as much clarity and coherence as, looking back on the events, we should like. I have no doubt, however, that for the young men of our universities who fought in this war it was a part of our national inheritance which they well understood.

### (c) *The Rule of Law in National and International Affairs*

In the third place respect for the rule of law has become an integral part of our external as of our domestic policy. The supremacy of law in our own political system is so familiar that we are in constant danger of taking it for granted. We know, however, that historically the development of this principle is a necessary antecedent to self-government. The first great victory on the road to freedom was the establishment in early modern times of the principle that both Governments and peoples were subject to the impartial administration of the courts. Only then could the further step be taken by which the people gave their consent to the laws by which they were governed.

Within the past decade we have been reminded by the hideous example of the Fascist States of the evil which befalls a



nation when the Government sets itself above the law. Beneath the spurious efficiency of such a State we have perceived the helpless plight of individuals who have been deprived of the primary right of an impartial administration of the law.

We have seen also the chaos which is brought to world affairs when lawlessness is practised in the field of international relations. The development of an international code of law is still in its early stages. The past decade has done much to delay and distort this growth. I feel sure, however, that we in this country are agreed that the freedom of nations depends upon the rule of law amongst States. We have shown this concretely in our willingness to accept the decisions of international tribunals, courts of arbitration and other bodies of a judicial nature, in which we have participated. There can be no doubt that the Canadian people unanimously support this principle.

(d) *The Values of a Christian Civilisation*

No foreign policy is consistent nor coherent over a period of years unless it is based upon some conception of human values. I know that we live in an age when it is fashionable to speak in terms only of hard realism in the conduct of international affairs. I realise also that at best the practice of any policy is a poor approximation of ideals upon which it may be based. I am sure, however, that in our national life we are continually influenced by the conceptions of good and evil which emerged from Hebrew and Greek civilisation and which have been transformed and transmitted through the Christian traditions of the Western World. These are values which lay emphasis on the importance of the individual, on the place of moral principles in the conduct of human relations, on standards of judgment which transcend more material well-being. They have ever influenced our national life as we have built a modern State from East to West across the continent. I am equally convinced that on the basis of this common experience we shall discern the same values in world affairs, and that we shall seek to protect and nurture them.

(e) *The Acceptance of International Responsibility in keeping with our Conception of our Rôle in World Affairs*

There is a fifth basic principle which I should like also to mention before considering the background of our relations with particular countries. That is willing-

ness to accept international responsibilities. I know that there are many in this country who feel that in the past we have played too small a part in the development of international political organisations. The growth in this country of a sense of political responsibility on an international scale has perhaps been less rapid than some of us would like. It has nevertheless been a perceptible growth; and again and again on the major questions of participation in international organisation, both in peace and war, we have taken our decision to be present. If there is one conclusion that our common experience has led us to accept, it is that security for this country lies in the development of a firm structure of international organisation.

I have been speaking of certain general principles which I think underlie the conduct of our external policy. These are principles which have been defined and articulated in the practice of relations with other countries over many decades. In this application of our principles, too, we have reached certain general conclusions on which we are all agreed, and which serve as a guide to policy.

### III.—The Practical Application

(a) *The Commonwealth which We Ourselves have fashioned for achieving the Ends We desire in World Affairs*

We have never attempted to define in precise terms our relations with the Commonwealth. They are, nevertheless, a basic consideration in the external policy of this country. In discussing them I will recall two aspects of this relationship concerning which I am sure there will be no disagreement. In the first place the Commonwealth is a form of political association which is unique. There has never been anything like it before in history. There is no parallel to it in the contemporary world. It is the only case on record of a Colonial Empire being transformed to an association of free nations by experiment, by compromise, by political evolution. I have no doubt that, whatever its future, it will be regarded by the historians of another age as one of the great constructive political achievements of our time. The other fact that I would call to your mind is that the Commonwealth is in a very real sense an achievement in which Canadians can take special pride. We Canadians, perhaps more than any other of its members, have contributed to its development. We have regarded it as an instrument which, in co-operation with like-minded people, we could use for our



common purposes. It has, therefore, the vitality of a living, functional organism which has been and which can continue to be used for good, according to the wisdom and foresight of our policies.

It is now only twenty years since the term "Commonwealth" came into popular use as a result of the declaration which was adopted by the conference of 1926. Even in that short period the meaning of the word has changed. There are already important differences between the Commonwealth of to-day and that described in Lord Balfour's famous statement. Even while this change was taking place, however, there has been a further compelling demonstration of the fact that we are members in an association of free nations, capable of common action in an emergency, greater and more striking than that of any formal military or diplomatic alliance that the world has ever known.

Even though they are not precisely defined, the principles on which we act in regard to the Commonwealth may be clearly discerned. We seek to preserve it as an instrument through which we, with others who share our objectives, can co-operate for our common good in peace as in war. On the other hand, we should continue to resist, as in the past, efforts to reduce to formal terms or specific commitments this association which has demonstrated its vitality through the common understanding upon which it is based. We should likewise oppose developments in our Commonwealth relations which might be inconsistent with our desire to participate fully in the task of building an effective international organisation on a wider scale.

Within the Commonwealth, our relations with the United Kingdom have, of course, a very special value and significance. We shall not forget in our history the imaginative collaboration of British and Canadian leaders, who, a century ago, laid the political foundations for the modern Commonwealth. Nor can we fail to be influenced by the fact that our political institutions are those of the British Isles, and that we now share with other parliamentary democracies the responsibility for preserving and developing this system. We shall not forget either the peril in which we shared, together with other Commonwealth countries, but especially with the United Kingdom during the dark days of 1940. This was an episode which threw in dramatic relief the measure to which we have common interests and the degree to which we are alike concerned in the

establishment of a world order based on principles of freedom.

(b) *The United States—the Settlement of International Affairs by Negotiation and Compromise*

It is not customary in this country for us to think in terms of having a policy in regard to the United States. Like farmers whose lands have a common concession line, we think of ourselves as settling, from day to day, questions that arise between us, without dignifying the process by the word "policy." We have travelled so much of the road together in close agreement that by comparison the occasions on which our paths may have diverged seems insignificant.

There has, however, been more to our relations with the United States than mere empirical neighbourliness. For the century during which we have been building this nation we have kept company with an adjoining State vastly more powerful, more self-confident, more wealthy than we. It is a State with purposes and ambitions parallel to ours. One by one, the major areas of disagreement have been reduced. Our common border has long since been defined to our mutual satisfaction. The people of this country have taken a final decision to remain outside the United States. There is no longer any body of opinion in this country which looks towards annexation. The people of the United States on their part have come to a parallel conclusion that they will not extend their boundaries beyond their present limits on this continent. On both sides the fact has been accepted that there shall be a free and independent federation in the northern part of this continent. None of this has been achieved, however, without reflection and forethought, nor will it be maintained without constant watchfulness. I do not say this because I think there is the slightest intention on either side to move away from the present happy state of our relations. I say it merely because even the simplest relationship between human beings requires the constructive action of both parties. The relationship between a great and powerful nation and its smaller neighbour, at best, is far from simple. It calls for constant and imaginative attention on both sides.

Defined more precisely, our policy in regard to the United States has come with the passage of years to have two main characteristics. On the one hand, we have sought by negotiation, by arbitration, by compromise, to settle upon the basis of



mutual satisfaction the problems that have arisen between us. As I suggested a moment ago, this has been far more than the unimaginative clearing away of parochial questions. It has succeeded precisely because it is based on the determination of both nations to conduct their affairs, as a matter of policy, on this basis. The other aspect of our relations with the United States which I shall emphasise is our readiness to accept our responsibility as a North American nation in enterprises which are for the welfare of this continent. In support of this assertion there is a long and creditable record of joint activity. In making it, however, I must add that it has never been the opinion of any considerable number of people in Canada that this continent could live unto itself. We have seen our own interests in the wider context of the Western world. We have realised also that regionalism of any kind would not provide the answer to problems of world security. But we know that peoples who live side by side on the same continent cannot disregard each other's interests, and we have always been willing to consider the possibility of common action for constructive ends.

(c) *France — a Tradition of Common Interests*

With France also our relations rest upon principles that have emerged clearly from our history. We have never forgotten that France is one of the fountain heads of our cultural life. We realise that she forms an integral part of the framework of our international life. We have so much in common that, despite the differences between the French political system and our own, we cannot doubt for a moment that our objects in world affairs are similar. We in this country have always believed in the greatness of France, even at times when her future seemed most obscure. During the war, we were confident that France herself would play a major rôle in her own liberation. We gave our support to those leaders of the French people whom the French themselves were prepared to follow. We are aware of the heavy burden which invasion twice in a generation has laid upon France. We shall support her recovery not merely out of sympathy, but because we know that her integrity is a matter of great consequence to us.

(d) *The Support of Constructive International Organisation*

I shall not endeavour to discuss in detail the question of our relationship with other States. Rather, I shall turn now to our

attitude towards international organisations. As I suggested when I was discussing the general principles which underlie our policy, we have been ready to take our part in constructive international action. We have, of course, been forced to keep in mind the limitations upon the influence of any secondary Power. No society of nations can prosper if it does not have the support of those who hold the major share of the world's military and economic power. There is little point in a country of our stature recommending international action if those who must carry the major burden of whatever action is taken are not in sympathy. We know, however, that the development of international organisations on a broad scale is of the very greatest importance to us, and we have been willing to play our rôle when it was apparent that significant and effective action was contemplated.

We have already given good evidence of this willingness by the record of our international activities since the war. We sent a strong delegation to the conference at San Francisco, and I had every reason to be gratified with the delegations which accompanied me to the first part of the General Assembly in London and second part in New York. We were elected to membership on the Economic and Social Council, and have tried to show by the attention we have paid to that body the measure of importance we attached to its creation. We have taken part in the formation of the World Bank and Fund, of the Provisional International Civil Aviation Organisation, of the World Health Organisation, of U.N.E.S.C.O., of the International Refugee Organisation, of the Food and Agriculture Organisation and of the projected International Trade Organisation. We have continued to support the International Labour Organisation, as we did before the war. We have played a prominent part in the work of the Atomic Energy Commission and of the Peace Conference in Paris. This list is not exhaustive, but it indicates the measure of our activity. We have not found it easy to provide delegates and advisers for all the conferences which the task of creating a new structure of world organisations has required. I think, however, that we may take pride in the work of our representatives, and that if you had observed them at any of these gatherings you would have seen them doing competent, energetic and constructive work. I think you would find, also, that they had regularly won the respect and confidence of their colleagues from other countries.



In economic as well as political affairs we have put our shoulder to the wheel of post-war reconstruction. Our contribution to U.N.R.R.A. was more than 150 million dollars, and Canadian food and equipment have been shipped into devastated areas all over the world. We supplied goods freely to our allies during the war under mutual aid legislation, and we have since provided export credits on a vast scale to help in rebuilding the economic life of Europe and of China. We have done this as a matter of policy, because we believe that the economic reconstruction of the world must go hand in hand with the political reconstruction. We are aware, too, that economic revival is a matter of great importance to us. We are dependent on markets abroad for the large quantities of staple products we produce and cannot consume, and we are dependent on supplies from abroad of commodities which are essential to our well-being. It seems to me axiomatic, therefore, that we should give our support to every international organisation which contributes to the economic and political stability of the world.

(e) *The Development of an Effective Diplomatic Service*

Seen in the light of these historic developments, the recent expansion of the diplomatic service of this country is a natural development. We are preparing ourselves to fulfil the growing responsibilities in world affairs which we have accepted as a modern State. We wish the Commonwealth to be an effective instrument of co-operation, and we have, therefore, appointed High Commissioners in the capitals of every Commonwealth country. I am glad to say that within recent weeks this process has been completed with the appointment of a High Commissioner to India. I earnestly hope that through his mission there and through the High Commissioner for India in Canada, who will soon be appointed, we may experience the same informal and helpful co-operation which has been characteristic of our relations with the Commonwealth countries.

We have also multiplied rapidly our diplomatic representation in foreign countries. Before very long we shall have provided ourselves with diplomatic representation in the capitals of every major country in the world. We have not taken this step merely through a desire to follow a conventional practice, or to advertise ourselves abroad. We have done so because

our geography, our climate, our natural resources have so conditioned our economy that the continued prosperity and well-being of our own people can best be served by the prosperity and well-being of the whole world. We have thus a useful part to play in world affairs, useful to ourselves through being useful to others, and to play that part we must have our own spokesmen amongst our neighbours.

It is not only in our foreign service that this expansion is taking place. We are trying also to construct a department in Ottawa which will build upon the activities of our representatives abroad. Our own national interests compel us to take a creditable part in the international conferences which are now determining the nature of the post-war world. We are, therefore, constructing a service which can provide strong and well-informed advisers for the delegations which we must send to these gatherings. This is no easy task. It will, of course, make demands upon our financial resources. I am strengthened, however, in my determination to recommend the continuation of this policy because it is no transitory experiment. It is the natural result of a long historic process, and I feel that it will be supported by all sections of our people. And that is as it should be. Canadian policy in its external relations should not be allowed to become a matter of party political controversy at home. Of course, the Government in office must take full responsibility for each one of its actions as well as in Canada's external relations as in the conduct of purely domestic Canadian affairs. But in its external relations the Government in office should ever strive to speak and to act on behalf of the whole of Canada and in such manner as to have the support of all the Canadian peoples regardless of party affiliations at home.

#### IV.—Conclusions

A few moments ago I said that we must play a rôle in world affairs in keeping with the ideals and sacrifices of the young men of this university and of this country who went to war. However great or small that rôle may be, we must play it creditably. We must act with maturity and consistency, and with a sense of responsibility. For this reason I return in conclusion to the point at which I began. We must act as a united people. By that I mean a people who, through reflection and discussion, have arrived at a common understanding of our interests and our purposes. In this lectureship you have at



your disposal an instrument which can help us greatly to achieve this end. You may be confident that, as you plan the Gray lecture from year to year, you will be contributing to that mature conception of our national interest which is the characteristic of a united people.

A former High Commissioner for the United Kingdom in Canada, Mr. Malcolm MacDonald, speaking to a Canadian audience before his departure, referred to Canada as "a unity, a harmony, a nation

—a people with national sentiment pursuing national aims." He added these words: "There is a sanity, a wisdom, a true statesmanship about the Canadian outlook and policy in international affairs which is uncommon."

These are words of great praise. In repeating them to you may I add a comment about them which I have made previously: "May Canada never be less deserving of them than she has been during these few recent troubled years."

W 1279/13/68

No. 17

## SEPARATE TAX AGREEMENTS WITH INDIVIDUAL PROVINCES

*Mr. Garner to Viscount Addison. (Received in Dominions Office, 5th February)*

(No. 23) *Ottawa,*  
My Lord, *29th January, 1947*

With reference to my despatch No. 340 of 6th August, 1946, I have the honour to report that the Dominion Government have recently made considerable headway in their attempts to reach separate tax agreements with individual provinces.

2. It will be recalled that the Federal Government presented their general proposals to the provinces in August 1945 (see Mr. MacDonald's despatch No. 418 of 5th September, 1945). In brief, these provided that in return for accepting responsibility for the increased costs arising out of the war and post-war situation (including increased Federal assistance for social welfare and economic planning), the Federal Government would continue the war-time arrangements under which the provinces had yielded to the Dominion exclusive rights in the major fields of direct taxation, undertaking to reimburse the provincial Governments by annual payments. These proposals were discussed at a series of Dominion-provincial meetings: these finally broke up in May 1946 when it became clear that no general agreement on the basis of the Federal Government's proposals was possible.

3. At this point there was for some time uncertainty about what attitude the Federal Government would adopt and it appeared likely at one stage that they would drop their plans (and incidentally reduce Federal expenditure), putting the blame on the provincial Governments and waiting for them to come cap in hand for assistance. It should be borne in mind that the Federal Government were tactically in a strong position since they were in a position themselves to reduce expenditure

(and Federal taxation) while forcing the provinces, in the absence of agreement, to the unpopular step of introducing double taxation. At the same time, however, there was a growing feeling of sympathy in Federal circles with the provincial viewpoint that to make them dependent on doles from the central Government would rob them of their authority, and this coincided with increasing hesitation by Ministers in Ottawa to undertake responsibility for all the schemes in the "New Deal" evolved by the post-war planners. In the event, therefore, less rigorous and ambitious counsels prevailed and the Federal Government decided to listen to appeals from the hard-pressed provinces in the maritimes and in the prairies and therefore to concentrate on the taxation issue while deferring action on their public investment and social security programme. The offer to negotiate with the provinces individually was made in Mr. Ilsley's budget speech in June 1946 (see my despatch No. 340 of 6th August, 1946).

4. Accordingly, separate negotiations were entered into early in the summer with various provinces. This procedure, however, was not without some obvious difficulties: it is, for example, always a matter of argument whether the payments from the central Government to the provinces should be based on the "fiscal need" of the individual province or be placed on a *per capita* basis; in practice some compromise between the two is bound to be made, but this inevitably leads to much complexity in detail and leaves the maximum scope for dispute since each province has its own views as to its special needs. At an early stage in the negotiations and at the instance of the Government of Manitoba,



however, a "most-favoured-nation" clause was inserted in the agreements, under which it was provided that any concessions granted at a later stage to other provinces would be accorded retroactively to any provinces which had already signed agreements. This went a considerable way towards encouraging some provinces to come forward, and by the autumn of last year negotiations with New Brunswick, Manitoba and Saskatchewan were virtually completed and discussions were begun with Nova Scotia, Prince Edward Island and Alberta.

5. The negotiations left out of account in the early stages the three most important provinces of Ontario, Quebec and British Columbia. But the Federal Government no doubt thought that, if a sufficient number of provinces could be brought into their scheme, the rest could probably eventually be brought to heel, always remembering that no province wished to face the prospect of double taxation.

6. Possibly as part of their campaign to achieve this, the Federal authorities made strenuous efforts to bring British Columbia into the fold and, by dint of display of unexpected generosity, they were successful last December in inducing the British Columbia Government to sign an agreement. It is understood that the basis of the deal with British Columbia is that the province has secured payments based on taxation revenue with the addition of an escalator clause permitting increases in keeping with increased population: the effect of this would be to perpetuate higher *per capita* payments to British Columbia by virtue of her large revenue and growing population. This agreement had immediate repercussions on the provinces which had already completed their negotiations, since they complained that there was gross discrimination in favour of British Columbia and that they had been treated prejudicially. These difficulties, however, appear to have been satisfactorily disposed of in further negotiations, and I enclose a copy<sup>(1)</sup> of a statement outlining the present position which was issued by the Minister of Finance on 25th January.

7. The whole process of negotiation has been one of bargaining for the best terms and seeking a formula which will provide the most effective result. But, briefly, the Federal Government has raised its bid by the following successive offers:—

(i) *Canadian Government Proposals, August 1945*.—Minimum payment of \$12 *per capita* to each province

to increase as national income increased.

(ii) *Canadian Government Proposals made to Dominion-Provincial Conference, April 1946*.—Minimum payment of \$15 *per capita* to each province with the proviso that in no case would payments be less than 150 per cent. of the province's receipts under the wartime tax agreements.

(iii) *Proposals made in Minister of Finance's Budget Statement, June 1946*.—Same as in (ii) with added concessions as to right of provinces to levy corporation taxes and succession duties.

(iv) *Proposals made in Statement of Minister of Finance, January 1947*.

—Three options were offered:—

*Formula A.*

Same as in (ii), *i.e.*, payments of \$15 *per capita* with an escalator clause providing for increased payments in accordance with increases in *per capita* gross national product and provincial population.

*Formula B.*

Payments of \$12.75 *per capita* plus 50 per cent. of income and corporation taxes in 1940 plus statutory subsidies.

*Formula C.*

Payments of \$15 *per capita* plus statutory subsidies.

In addition, during the discussions the Federal Government have made a number of other concessions from their earlier standpoint: in particular Mr. Ilsley's budget proposals contained a conditional offer to share the succession duties with the provinces, and in December 1946 Mr. Abbott announced that the Federal Government would vacate the field of taxation on gasoline.

8. Agreement in principle (subject to parliamentary ratification) has been reached on the basis of one or other of the above formulas between the Dominion Government and the Provinces of British Columbia, Manitoba, Saskatchewan and New Brunswick, and it appears likely that Alberta, Nova Scotia and Prince Edward Island will also be willing to negotiate on this basis.

9. The two main provinces, however, still remain outside the fold. The Premier of Ontario has conducted a bitter attack on

<sup>(1)</sup> Not printed.



the Federal Government's procedure in making separate agreements and insistently demands the resumption of the general conference. But the Dominion Government have clearly indicated that they are not inclined to call another general conference, and Mr. Drew has given no sign that he is ready to come to separate terms. Mr. Duplessis has made little direct comment on the actual negotiations, but has continued to do battle for provincial autonomy and the "rights" of Quebec. No doubt the Federal Government hope that they will eventually be able to round off their separate pacts by including these two provinces: they are doubtless strengthened in this hope by the knowledge that, from a long-term point of view, no province will wish to incur popular odium by imposing double taxation. But it must not be forgotten that there are bitter personal and political elements in the situation that will make agreement difficult. Neither of the present Governments in Quebec and Toronto has any wish to

further the plans of a Liberal Government in Ottawa. Each premier has nailed his colours to the mast of provincial autonomy and neither can afford to surrender. And Quebec and Ontario are the two wealthiest provinces, who, from a narrow viewpoint, stand to lose the most from any evening-up of present financial inequalities between the provinces. All that can be said at the moment is that, while neither of the premiers has shown any disposition towards compromise, the many concessions made by the Federal Government in the course of their negotiations with the other provinces have made it much easier for them to join the club, if either should wish to do so.

10. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

J. J. S. GARNER.

W 2811/13/68

No. 18

### TREATMENT OF RACES IN CANADA

*Mr. Garner to Viscount Addison. (Received in Dominions Office 8th April)*

(No. 100)

Ottawa,

My Lord,

31st March, 1947

Recent communications from this post have dealt with various questions relating to the treatment of orientals in Canada.

2. It is thought that a short note on the treatment of races in Canada might be of interest in giving the general background, and I have the honour to enclose herewith a memorandum which has been prepared with this purpose in view.

I have, &c.

J. J. S. GARNER,

*Deputy High Commissioner.*

Enclosure in No. 18

#### *Races in Canada*

It is well known that the Canadian people stem from two main stocks—British and French. It is frequently forgotten, however, that, though Canadians of British stock still form by far the largest group, they number to-day just less than one-half of the total population, the French making up about one-third. The remainder include large numbers from the continent of Europe, a dwindling number of surviving Indians and Eskimos, and relatively small

but politically embarrassing sprinklings of orientals. Like the United States, therefore, Canada had been peopled by immigrants from a great variety of countries. Unlike the United States, which is a traditional melting pot, Canadians of foreign origin have not been so rapidly or completely assimilated, and still tend to create pockets of separate racial groups. An appendix is attached showing the racial composition of the population at the 1941 census.

The largest racial minority is, of course, the French. Of them it can be said that they have, in the main, worked out their own destiny in their own province of Quebec without ever being "assimilated." But they have to-day stretched far beyond the borders of Quebec and there are numerous settlements of French-speaking Canadians in nearly every province. Indeed, the rapid increase in the French-speaking population, which is openly encouraged by the Roman Catholic Church, has already given rise to fear of ultimate domination. The French-speaking elements themselves are fully conscious of the possible long-term effects of their rapidly growing population, and openly hope for



what they picturesquely refer to as "the revenge of the cradles." It is for this reason that they are so bitterly opposed to any plans for mass migration which might redress the balance. The problems of Anglo-French relations are too vast for the compass of this small essay, but suffice it to say in general that, while relations are not as close and harmonious as is often pictured, a reasonably satisfactory *modus vivendi* has been worked out.

Large numbers of settlers from the continent of Europe, and particularly from the Slav countries and from Germany and Scandinavia, have settled in the farming lands of the prairies. On the whole, with some exceptions, these have been absorbed into the community and present no special problems. The exceptions have been furnished by sects who have endeavoured to put their curious religious beliefs into the practice of everyday life. The colourful activities of the Doukhabours, whose penchant for undressing in public was not diminished by the frigid winter temperatures, are notorious. The Hutterites, whose practical application of communistic ideals does not prevent them from showing shrewd business sense, have proved such successful farmers that they have aroused some antipathy in Alberta, and there is at present talk of action to prevent their acquiring further land. Some of these sects, too, ran into difficulties during the war over their objections, on grounds of conscience, to military service. But all these difficulties are temporary and are being overcome as succeeding generations grow up.

The most serious racial problem that arises in Canada concerns the orientals. During the beginning of this century large numbers of labourers were brought in from the Far East and many of them settled in Canada, mostly in British Columbia. The present numbers are approximately 35,000 Chinese, 24,000 Japanese, and 16,000 Indians. The immigration of orientals reached such a pitch by the second decade of this century that it was feared that they were becoming a threat to the white man's economic position. Accordingly steps were taken to prevent any further immigration from the orient and there has been virtually none since the early 1920's. The action taken in each case differed. A gentleman's agreement was reached with the Japanese Government whereby the latter undertook to ensure that no Japanese would migrate to Canada. The susceptibilities of the Chinese were, however, not so tactfully considered and in 1923 legislation was passed excluding the immigration of all Chinese (with the exception of diplomats, mer-

chants and students). The solution of the Indian problem was perhaps the neatest of all: amongst other restrictive measures, an order-in-council directed that all immigrants from India must travel direct from India to Canada; there was not, and never has been, any direct travel service from India to Canada.

One of the further disabilities from which orientals have suffered was the refusal of the Parliament of British Columbia, where virtually all the orientals had settled, to grant them the franchise; as the Federal franchise is based on the provincial electoral lists, this virtually excluded orientals from any vote either in provincial or Federal elections.

In addition to the statutory restrictions there is no doubt that in practice orientals in British Columbia were subjected to a number of other social and economic disadvantages. Their low standard of living was seen as a threat to the labour of the white man and it was feared that these early arrivals might only be the first waves of a flood that would swamp the country. The "yellow peril" was easily invoked and, as a result, orientals in British Columbia were seldom given a square deal.

Very recently, however, a marked change has come over Canadian thinking in its treatment of orientals. This was first noticeable when the Government sought extraordinary powers to deport Japanese Canadians (even including Canadian-born) after the end of hostilities. Outside British Columbia a wave of liberal opinion made itself felt and there was a striking demonstration of the almost unanimous feeling that racial discrimination could no longer be tolerated in Canada. Another factor in stirring the public conscience has undoubtedly been the charge that any form of racial discrimination was contrary to the principles of the United Nations Charter, and, when the issue of the Indians in South Africa came up at the General Assembly meeting in 1946, Canadians felt constrained to look at the mote in their own eye. As far as the Indians and Chinese were concerned, too, the part played by those two countries in the war was not without effect and Canadians have been moved by the pointed anomaly of their taking restrictive steps against the members of one of the Big Five countries and of a member of the Commonwealth.

Recently, therefore, steps have been proposed to remove some of the more glaring examples of discrimination. The Government have pledged themselves to remove the statutory exclusion of Chinese (though the legislation they have so far



introduced does not go very far in this direction). The orders-in-council relating to the deportation of Japanese have been repealed. A committee of the British Columbia Parliament has recommended that the vote should be granted to Chinese and Indians of Canadian citizenship. These steps, if fully implemented, will go some way to giving an appearance "for the record," but of course there is no question of allowing further immigration of orientals and the lot of those now resident here will not be vastly affected by a theoretical removal of restrictions, many of which may be expected to remain in practice under some other guise.

There is also growing a general consciousness that in the past the interests of Eskimos and Indians (*i.e.*, Red Indians) have been tragically neglected. The opening up of the North has done much to bring the fate of the Eskimo nearer to the Canadian conscience and in many ways care for their future is now being demonstrated. The Indians, who are at present scattered in numerous reserves throughout most of the provinces, present a depressing problem with their declining population, lack of initiative and low standard of life. A parliamentary committee has, however, been set up to examine the situation fully and to make recommendations. One small point of interest may be noted: the Family Allowance Scheme applies to Eskimos and Indians, and what would be a normal amount in the ordinary household must appear as a vast and welcome addition in the huts of Caughnewaga and the igloos of Baffin Island.

The negro population of Canada is small, though there are some settlements of descendants of fugitive slaves from the United States. They present no more than the ordinary problems and there is little intolerance of the negro as such in Canada. Indeed it was remarkable that there was a national outburst of indignation recently when a bridge club in Toronto, acting under the orders of the parent United States body, refused to permit a (West Indian) negro member to play.

There remains one racial problem to be mentioned and that is the treatment of the Jews. The proportion of Jews in most of Canada is not large, but there is a considerable concentration in Montreal. The situation in most of the other provinces calls for no comment, but there is a marked degree of anti-Semitism in the Province of Quebec which takes practical effect in the exclusion of Jews from clubs, hotels and other institutions. Indeed, some holiday resort advertisements, making it clear that only Christians need apply, are almost reminiscent of continental treatment of the problem. It may be mentioned that the Social Credit Party, which is a curious combination of "Douglas" economics and aggressive imperialism, is openly anti-Semitic, and it may be more than a coincidence that this party has recently shown some signs of making headway in Quebec. On the other side it should be said that there is a strong body of liberal opinion outside Quebec which would favour much wider admission of "refugees" into Canada, but this is complicated by the difficulties in evolving an immigration policy, and so far the Government have shown few signs that they are prepared for any large-scale contribution to the problem.

Ottawa,

31st March, 1947.

## Appendix

### *Racial Origins of the Population, 1941 Census*

Racial Origin	Number	Percentage
British Isles races ...	5,700,000	49
French ...	3,500,000	30
Other European races <sup>(1)</sup> ...	2,000,000	19
Chinese ...	34,000	all under 1
Japanese ...	23,000	
Indians ...	16,000	1
Indian and Eskimo ...	125,000	
Negro ...	22,000	under 1

(<sup>1</sup>) The only other European races with more than 1 per cent. are German (4 per cent.), Ukrainian (2 per cent.), Dutch (nearly 2 per cent.), Jewish (1½ per cent.) and Polish (1½ per cent.).

W 3734/13/68

No. 19

## CANADA AND THE PAN-AMERICAN UNION

*Mr. Garner to Sir J. Stephenson.—(Received in Dominions Office, 6th May)*

(541F/6)

Ottawa,

Dear Stephenson, 29th April, 1947.

Senator Vandenberg's speech of 15th April together with a radio address made

a few days later by Mr. Sumner Welles have revived interest here in the possibility of Canada entering the Pan-American Union.



2. Most sections of the press have been fairly cautious in their comments. A few editorials favouring the suggestion have appeared in Quebec (and especially the French language) papers, but the general view is that Canada has little to gain and perhaps something to lose by joining the Union. As regards defence, critical comment in the press points out that Canada is already committed to co-operation with the United States and that membership of the Union would do nothing to strengthen her position; indeed, the neutrality of the American Governments at the beginning of the recent war leads them to suggest that membership of the Union might prove embarrassing in a crisis. In any case, it is urged that the existence of the United Nations lessens the need for Canada to join the Pan-American Union, and it has been hinted that one of the reasons for the anxiety of the United States to enrol Canada as a member of the Union is precisely because she is losing confidence in the United Nations. But the main objection to membership in the Union remains the fear that it would lead to conflict with Canada's responsibilities as a member of the British Commonwealth. Some of these arguments are rather self-contradictory, but they have at least succeeded in pouring a certain amount of cold water on the suggestion that Canada should enter the Pan-American Union.

3. In the meantime, Mr. Massey, who was cited by Mr. Sumner Welles as one of the chief opponents in Canada of union with the other American countries, has reaffirmed his opposition and the C.C.F. and Social Credit leaders are reported to have expressed similar views to a press interviewer. (If true, this is a surprising attitude for Mr. Coldwell since his party has hitherto gone on record as favouring Canada's entry into the Pan-American Union.)

4. As regards Mr. Pearson's speech to the New York *Herald-Tribune* Forum, you will have seen from the High Commissioner's despatch No. 77 of the 13th March that he did add to his remark that Canada had never been asked to join the Union, that "international feeling in Canada has reflected itself in our almost passionate support of the United Nations and that there can be no isolation even on a hemisphere basis. Nor can there even be security on a hemisphere basis. . . . The basic divisions to-day are not geographical. They are in the minds of men." Indeed we were given to understand at the time that Pearson's object was precisely to head off any invitation to Canada.

5. You may also be interested to see the enclosed answers by Mr. St. Laurent to questions in the House of Commons on 23rd April about the Pan-American Union. He might perhaps have qualified somewhat the monosyllabic reply to question 3, but his main object was no doubt to avoid giving rise to tiresome suggestions that Canada's membership of the Commonwealth in any way trammelled her dealings with her American neighbours.

6. No doubt the matter will come up again from time to time, but it is fairly obvious that for the present the Canadian Government are content to escape an embarrassing issue by the convenient absence of a formal invitation to join the Union.

Yours ever,

J. J. S. GARNER.

Enclosure 1 in No. 19

*House of Commons Debates, 23rd April, 1947*

*Pan-American Union*

Mr. Church:—

1. Has there been any change since last session regarding Canada joining the so-called Pan-American Union?

2. If so, what changes have been made in this policy since then?

3. Can Canada, as one of the overseas dominions, join this union without the consent of the Governments of Great Britain and the other Dominions?

Mr. St. Laurent:—

1. No.

2. Answered by No. 1.

3. Yes.

Enclosure 2 in No. 19

*Extract from Text of Address delivered by Mr. L. B. Pearson, Canadian Under-Secretary of State for External Affairs, to the New York Herald-Tribune Forum, New York, 8th March, 1947.*

*"Canada in the Americas"*

All that I have said may seem to have little bearing on the question which I feel certain you have been asking me for the last ten minutes: "Why doesn't Canada join the Pan-American Union?"

The short answer is that we have never been asked.

I think I can say, however, without risk of getting into trouble, that this lack of an invitation has not caused us any great



distress. This is due, possibly, to two things: (1) we are already members of two "Clubs," the "Commonwealth" and the "United Nations"; (2) we are satisfied that our relationships of friendship and mutual interest with the other American countries will continue to grow irrespective of membership or non-membership in any formal organisation.

Perhaps our position *vis-à-vis* the Pan-American Union—I hope I will not be misunderstood in this—is not unlike that of the maiden who, having been asked why she did not marry her swain, replied that he hadn't asked her. When pressed as to

what she would do if he did ask her, she hesitated and coyly admitted that though they were close friends she wasn't sure that they were in love with each other. However, she might add, I will always feel a deep sisterly affection for him and, perhaps, this might eventually develop into love, and even marriage.

But whether it is friendship, love or marriage, I can give you an assurance that Canada, which has demonstrated its power and purpose in war and its economic strength in peace, will play its full part to ensure the security and promote the progress of the Americas.

W 4106/13/68

No. 20

### CANADA: GOVERNMENT STATEMENT ON IMMIGRATION POLICY

*Sir A. Clutterbuck to Viscount Addison. (Received in Dominions Office 22nd May)*

(No. 147)

Ottawa,

My Lord,

14th May, 1947

I have the honour to state that the long-awaited statement on the Canadian Government's immigration policy was made in the House of Commons by the Prime Minister on 1st May. I enclose the Hansard record.<sup>(1)</sup>

2. As I have reported previously, there has been recently a growing demand in Canada for more "liberal" immigration and Ministers have made it known in public that they had a revised policy under consideration. The demand for increased migration stems from two main causes:—

(a) A realisation that full prosperity for Canada depends on a larger population and that the economic well-being of so vast a territory can never be assured with so sparse a population, and

(b) The consciousness that Canada's international responsibilities demand a more active response to the refugee problem.

To a lesser extent a larger population is also thought to be desirable for defence reasons. In general the present wave of unparalleled prosperity and full employment is a propitious one for widening the doors to immigrants: only in Quebec is there strong and consistent opposition to any "mass" migration which might offset the effect of the rapid growth in the French-speaking population.

3. The Prime Minister opened with the general statement that the policy of the Government was to foster the growth of

the population of Canada by the encouragement of immigration and to ensure the careful selection and permanent settlement of as many immigrants as could advantageously be absorbed in the national economy, but he insisted that the question must be viewed from both the short-term and the long-term points of view.

4. So far as the immediate future was concerned, the scope for an effective scheme was limited by such considerations as shortage of shipping, the problem of establishing inspection facilities in countries to which access was difficult at present, and social, political and economic circumstances resulting from the war. Two new steps were, however, being taken immediately towards increasing the number of immigrants to Canada. These were:—

(a) A wider interpretation would be placed upon P.C. 695 of 21st March, 1931, which had been interpreted strictly since the economic depression of the thirties. (This is the Order-in-Council covering the four broad categories of persons admissible to Canada, *i.e.*, (1) British subjects from the United Kingdom, Australia, New Zealand, South Africa, Newfoundland, Eire; (2) United States citizens; (3) Wives, unmarried children and fiancées of men resident in Canada; (4) Agriculturists with means to farm.)

(b) Relatives of persons resident in Canada, who were regarded as "admissible" under Orders-in-Council passed during the past year,

<sup>(1)</sup> Not printed.



would now, if married, be allowed to bring their families with them, and men, as well as women, affianced to residents of Canada would be allowed to enter the country. The Prime Minister tabled an Order-in-Council, P.C. 1734 of 1st May, making the necessary amendments to the regulations. I enclose a copy of the order.<sup>(1)</sup>

5. The Prime Minister made special reference to the refugee problem and said that Canada had a moral obligation to assist, though she was not obliged "as a result of membership in the United Nations or under the constitution of the International Refugee Organisation to accept any specific number of refugees or displaced persons." He reviewed the steps already taken to extend the categories of persons who would be admitted to Canada, but announced no new measures. It was, however, made known through the press, at the same time as the Prime Minister's statement, that Canada had agreed to accept a thousand Jewish orphans from Europe on the understanding that the Canadian Jewish Congress would undertake responsibility for them.

6. Turning to the long-term problem, the Prime Minister said that for both economic and security reasons the Government were of the opinion that a positive immigration policy was necessary with the definite objective of enlarging the population, but that it was essential that immigrants should be selected with care and that their numbers should be adjusted to the "absorptive capacity" of the country. At the present abnormal stage it was not possible to forecast what the absorptive power in future years would be: the Government were convinced of the need for a "positive" immigration policy but it would be possible only at a later stage to devise the best measures to adjust immigration to the numbers that could be absorbed into Canada.

7. In a reference to the position of Orientals, Mr. King made it clear that, apart from minor relaxations already in hand to remove specific restrictions on the Chinese as such, the Government had no intention of removing the existing regulations respecting Asiatic immigration and moreover that the complete ban against Japanese immigration would be maintained.

8. The significance of the Prime Minister's statement is that for the first time the Government have declared, with-

out equivocation, that they are convinced that Canada needs a larger population and that they intend to develop and energetically to apply productive immigration measures. At the same time the statement did not in fact reveal any but the slightest changes: except for the new regulation regarding the admission of relatives, the only definite administrative change promised was a more generous interpretation of the Order-in-Council which had governed Canadian immigration policy since 1931. It is, moreover, still by no means clear what this relaxation will involve, and neither the Prime Minister nor the Minister of Mines and Resources, who spoke in the House on immigration a few days later, has made any attempt to explain it.

9. With his usual astuteness, however, Mr. Mackenzie King has again achieved a compromise which has mollified his critics without unduly discomfiting his supporters. He has gone a long way towards satisfying those who were clamouring for a more progressive immigration policy by expressing his agreement with them in general principle. At the same time he has avoided arousing bitter opposition in Quebec by insisting on the need for "selectivity" and has quietened their alarms by showing that no immediate measures are contemplated: he has also retained the support of British Columbia by his firm stand on Oriental migration.

10. The success of the Prime Minister's tactics was clearly shown when the unpopular Bill to repeal the Chinese Immigration Act, on which I am reporting separately, was passed without amendment later in the same week. In the light of the Prime Minister's statement members took the opportunity to discuss the broader aspects of immigration and thus strayed from the immediate controversial subject under debate. Some argued in favour of priority for immigrants from Britain and one asked that the Immigration Department, which at present comes under the Minister of Mines and Resources and is widely suspected of being treated as a "step-child," should have a Minister of its own. There was wide agreement that Canada should help in the refugee problem by taking "suitable" refugees and displaced persons, and Mr. Glen was pressed to give an assurance that persons of German origin, provided that they were not German nationals, would not be excluded from Canada. He also promised that the Government would continue to do its best to surmount the difficulties in obtaining

<sup>(1)</sup> Not printed.



transport for prospective immigrants. Although few members were completely satisfied and the debate was long and painfully detailed, there was little sign of the bitterness which in past months had characterised debates on the subject. Indeed in the words which Mr. Glen himself used when winding up for the Government "the one surprising thing was the unanimity, the agreement that there was about the statement made by the Prime Minister on 1st May."

11. The press received the Prime Minister's statement in the same spirit. The French-language newspapers, as might be expected, exhorted the Prime Minister to show prudence in "selection" and, in one case, reminded him that the prestige of the Liberals would "reach an extremely low level if, now, they show themselves somewhat too hospitable." The general view, however, in both English and French papers was that there was little to object to in the general principles which had been laid down, although everything still depended on interpretation.

12. But while the Government declaration has succeeded in holding the position in Parliament for the time being, it cannot be regarded as more than an interim statement. Even at that it is rather a puny child after so long and troubled a gestation. It had been made known that a Cabinet Committee and an official sub-committee have been considering the question of migration policy for the best part of a year and I understand that a number of recommendations had been put forward as a result. There is little trace of these, however, in the statement finally issued. As time goes on disappointment that the declaration contained so little of substance is likely to grow; the real test is yet to come, for, in fact, the Canadian Government have still to announce what their immigration policy will be.

13. I am sending copies of this despatch to His Majesty's United Kingdom Ambassador in Washington and to the United Kingdom High Commissioners in Canberra, Wellington and Capetown.

I have, &c.

P. A. CLUTTERBUCK.

W 4486/13/68

No. 21

### CANADA: GOLD AND DOLLAR POSITION

*Sir A. Clutterbuck to Viscount Addison. (Received in Dominions Office, 3rd June)*

(No. 153) *Earnscliffe, Ottawa,*  
My Lord, *28th May, 1947*

I have the honour to report that Canada has, since the end of hostilities, been enjoying a period of unparalleled prosperity and Ministers have given every encouragement to the public to take a rosy view of the country's prospects. In his budget speech Mr. Abbott said: "To-day we see a Canada enjoying a degree of prosperity never exceeded in living memory. We look forward to a year of high production and incomes. Indeed, we would appear to have ample excuse for self-satisfaction and easy optimism, if we took account only of our own immediate situation here at home." Nevertheless, one dark cloud has been gathering on the horizon; the shortage of dollars in the rest of the world has long been only too obvious. It is now slowly being realised that Canada too is faced with a serious unfavourable balance of trade with the United States and that shortage of United States dollars is becoming no less an anxiety for her than it is already for the war-shattered countries of Europe.

2. The first note of warning was struck by Mr. Graham Towers, in the annual report of the Foreign Exchange Control Board, published in April of this year, when he said: "For the time being, however, Canada is meeting the deficiency in her current account balance of payments with the United States in part by drawing on her accumulations of gold and United States dollars. Fortunately, these were large at the end of the war and have provided a breathing-space in which we could export quite a substantial amount on credit while importing for cash. But it is clear that in the long run we shall have either to reduce our deficit with the United States by selling more to, or spending less in, that country or to increase our United States dollar income from other countries."

3. Little attention was paid to this at the time and indeed, so late as Sir Wilfrid Eady's visit at the beginning of May, public attention concentrated solely on Britain's shortage of dollars. Gradually, however, a realisation of Canada's own problem has been sinking in and the recent visit of Mr. Towers to the United Kingdom has been the occasion for a burst of public



questioning. In the House of Commons Mr. Adamson, a Conservative member, has drawn attention to the seriousness of the problem and has suggested that there are only three ways in which the Canadian Government can stop the continuously accelerating adverse balance of trade with the United States. These were:—

- (1) The imposition of special tariffs against United States goods.
- (2) A substantial devaluation of the Canadian dollar; or
- (3) The reimposition of wartime restrictions on trade.

The theme has been taken up by other speakers in the House of Commons, and Mr. Abbott, the Minister of Finance, has been pressed for information as to the purposes behind Mr. Graham Towers's visit to the United Kingdom and as to the position of the Canadian dollar. Mr. Abbott has contented himself with denying that Mr. Towers was asked to discuss in London the specific matters mentioned in the question ((1) a second loan from Canada to the United Kingdom, and (2) reimposition of Canadian import and export controls), and he has so far declined to give any further information about Canada's exchange position with the United States. The cry has also been taken up in the press and I enclose typical editorials<sup>(1)</sup> from the *Gazette* of Montreal and the *Toronto Globe and Mail* and an article from the *Financial Post*.

4. The facts of the position may be stated as follows:—

(a) The pattern of Canada's trade has invariably involved a deficit in her current trading account with the United States. In pre-war years the average deficit was approximately \$200 million, but in 1929, for example, it amounted to as much as \$437 million. But before the war Canada's trade was triangular and in turn she invariably had a favourable trading balance with the United Kingdom, which was, of course, freely convertible.

(b) After the active participation by the United States in the war, the position changed very considerably owing to the large-scale United States purchases in Canada and the stationing of United States forces here. Canada was proud to claim that she, almost alone of the Allies, did not call on the United States for lend-lease assistance. On the contrary, she was during the war period enabled fortunately

to accumulate considerable holdings of gold and United States dollars.

(c) Since the war the balance of payments has been running as follows:—

1945 current account surplus with the United States, \$30 million.

1946 current account deficit with the United States, \$603 million.

1947, first quarter, current account deficit with the United States, \$182 million, made up as follows:—

	\$ million
January ... ..	47
February ... ..	61
March ... ..	74

(Above figures all include exports of non-monetary gold).

5. The high figures recently are, of course, to a considerable degree the result of temporary phenomena. Canada, like most other countries, is feeling the effect of the pressure on her economy of large war-time savings, and of an unprecedentedly high level of employment and wages, coupled with an enormous accumulated demand for goods which were not available during the war. But owing to the structure of Canadian trade at present, this pressure is heavier upon foreign exchange reserves than upon domestic price controls. Many of the goods for which the demand is greatest—such as cars, radios, refrigerators and other items of domestic equipment—are normally supplied by the United States; many others—such as textiles—cannot be obtained from normal suppliers, and the Canadian purchaser is turning to the United States to fill the gap. The present inflated price-levels in the United States make the drain even greater. It is to be expected that as the demand for goods is satisfied, United States prices fall, other suppliers return to the market and Canadian purchasing power declines, there will be a substantial reduction in the present adverse balance of trade with the United States. Nevertheless, all the temporary factors seem likely to remain operative long enough for the present drain to constitute a very serious threat to Canadian reserves of gold and United States dollars, and it will be seen from the figures in the foregoing paragraph that the situation is at present rapidly deteriorating. The reserves of gold and United States dollars amounted at the end of 1946 to \$1,245 million, and if the deficit were to continue at the present rate, these would be exhausted within two years.

<sup>(1)</sup> Not printed.



6. The authorities concerned have been giving some anxious thought to the remedial steps that can be taken, but one of their main difficulties hitherto has been that Parliament and the public have in no way been prepared for any drastic measures. Some action will be called for in the immediately foreseeable future though it may take time for the Government to develop their plans. In the meantime,

while the present public curiosity may be embarrassing, it is at least a step forward that the need for rigorous action is beginning to be realised.

7. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador at Washington.

I have, &c.

(For the High Commissioner),

J. J. S. GARNER.

W 5203/13/68

No. 22

## CANADA: THE MARITIME PROVINCES

*Sir A. Clutterbuck to Viscount Addison. (Received in Dominions Office 17th June)*

(No. 170)

Ottawa,

My Lord,

6th June, 1947

I have the honour to report that in accordance with arrangements approved I left Ottawa on 15th May and carried out a speaking tour of the Maritime Provinces, arriving back in Ottawa on the evening of 2nd June. The tour was undertaken by car in preference to the train, and I was accompanied by my wife and also by my daughter and my niece. Mr. Tory acted as my secretary and completed the party.

2. Altogether we travelled just under 3,000 miles, in the course of which we visited a number of towns in each of the three provinces in addition to the capital cities. In the eighteen days in which we were absent from Ottawa I made fifteen speeches and my wife three. A list of these, together with particulars of our itinerary, is attached.<sup>(1)</sup>

3. Everywhere we received a most cordial welcome and no pains were spared to enable us to obtain the greatest possible advantage from our visit. At Charlottetown, where we spent the first week-end, the Lieutenant-Governor and the Premier spent most of Sunday driving about the island with us; and at Saint John Senator Maclean acted as our guide and the Lieutenant-Governor and Mrs. MacLaren gave a party in our honour to enable us to meet prominent residents. At Halifax, the Lieutenant-Governor was away on sick leave, but the Premier, Mr. Angus Macdonald (formerly Minister for the Navy) immediately made contact with us and subsequently spent the morning in showing us round. At Fredericton, the Premier (Mr. McNair) put off a visit to Ottawa in order to be present during our visit, and we received much kindness at his hands. Both he and Mr. Jones, the Premier of Prince Edward

Island, attended the functions at which I spoke.

4. I attach a brief note of my impressions of the three provinces which, although grouped together as "the Maritimes," vary a good deal in character and individuality. Everywhere we went there was the liveliest concern for Britain, and though there was complete confidence that she would pull through her present difficulties there was a keen desire for first-hand information on the extent of those difficulties and on her economic position generally. I found that speeches on this topic were received with avidity. Indeed, I think I could have devoted all my speeches to this one theme, but in order to avoid too much repetition I spoke on some occasions about the British Commonwealth in the modern world and, on others, about the general international situation. The local press had in recent months carried many of the usual speculative reports from United States sources about the "decline and fall of Britain" and the liquidation of the British Commonwealth, with incidental references to the old bogey of British imperialism and exploitation of dependent peoples; none of this had been taken very seriously but the accumulation of articles of this kind had not unnaturally had a disturbing effect. I took occasion, therefore, in my speeches to supply a corrective to such absurdities, and it was evident from the response of the various audiences that this was appreciated.

5. I am left with the feeling that the value of such tours, both to the High Commissioner personally and to the wider interests which he represents, can hardly be over-stressed. For my part, I have learned much that will be of great help to me in my work at Ottawa, apart from making a

<sup>(1)</sup> Not printed.



large number of valuable personal contacts. As regards those whom I met, I can only say (without any personal connotation) that the universal appreciation of a visit from the High Commissioner was so marked as to be almost embarrassing. That the representative of the United Kingdom Government should take the trouble to go round in person to small towns as well as big and interest himself in local problems and local activities was regarded not merely as an event in the life of the community but almost as an honour to the locality; this would be the case anywhere, but applies perhaps with special force to the Maritimes, where pride of British ancestry is so great and the feeling of remoteness from Ottawa is still so pronounced. Britain is still a name to conjure with, and close as are the relations of the Maritimes with the United States and deeply impressed as all Canadians are with the wealth, power and resources of the American people, devotion to Britain and the British heritage is not only the dominating sentiment but almost an article of faith in the three provinces, steeped as they are in their "Loyalist" tradition and their long historical background. Indeed, it was evident that the spokesman of the Canadian Club in Moncton aptly summed up the general view when he said that everyone in the Maritimes was prouder to-day of Britain and the British connexion than ever before, that they were watching her fight for recovery with anxiety but also with unbounded admiration and that we could rest assured that if she should ever need further help in overcoming her difficulties "Canada would be there."

I have, &c.

P. A. CLUTTERBUCK.

#### NOTE OF IMPRESSIONS

##### General

The three Maritime Provinces (Nova Scotia, New Brunswick and Prince Edward Island) form a group with characteristics of their own. Settled very largely by British stock, with a preponderant Scottish element, they are cut off from the rest of English-speaking Canada by the vast Province of Quebec. Indeed, their relations, both in trade, movement of population and personal and cultural contacts, are apt to be much closer with the New England States than with the rest of Canada. Their combined population is small (1,150,000) and there are said to be many more Maritimers south of the United States border than in the three provinces themselves.

2. Notwithstanding this close relationship with the United States, there is no part of Canada which is more devotedly attached to Britain and the Commonwealth. Pride of ancestry and pride in the long history of the three provinces are ingrained in every one and crop up in every conversation. The visitor is never allowed to forget that the Maritimes, with Quebec, are the oldest settled parts of Canada. It was there that the first Colonial Governments were formed, and it was the effort on the part of the Maritime leaders and statesmen to achieve closer association amongst themselves that led to the historic meeting in Charlottetown and eventually to Confederation. But more than this, it was the Loyalist population in the Maritimes, aided and strengthened by the influx of Loyalist emigrants from New England, which at the time of the American revolution and to some extent also in the war of 1812, checkmated all efforts to detach the country from British rule and succeeded in preserving Eastern Canada for the Crown. Pride of ancestry is such that Gaelic is still spoken in many parts of Nova Scotia; and to be able to claim descent from a "United Empire Loyalist" is in itself sufficient to place one amongst the aristocracy.

3. The past in fact looms ever present, and this gives a note of melancholy to the picture which cannot escape the onlooker. For with the opening up of the country and the coming of Confederation the tide of progress moved increasingly westward, the Maritimes were shorn of much of their importance, and the centre of power and influence moved up the St. Lawrence and the Great Lakes to the rich Province of Ontario. Comparing their present position with their past glories, the people of the Maritimes feel that they have been left stranded. Economically, they account for only a small part of Canada's production; politically, their influence is small, for though they have supplied Canada with a constant stream of distinguished public men, they contain less than one-tenth of the total population of the country; geographically, they are "out on a limb" and their isolation tells heavily against them.

4. It is small wonder in these circumstances that most Maritimers suffer from a feeling of frustration and what might be called a "Cinderella" complex. They recognise that in many ways they are falling increasingly behind the rest of Canada, and what irks them is their inability to find means of catching up or even of holding their own population. It



is a common argument that, as matters turned out, Confederation has failed to bring them the benefits that were expected, for what has happened is that they have been drained of all but a few of their local secondary industries and their interests as exporters of primary commodities have at the same time been sacrificed to those of the great industrial region of central Canada. Thus they claim that they have lost both ways. Indeed, instead of keeping in the main stream of economic and industrial development, they are, in fact, a backwater, left with their beautiful scenery as an attraction to patronising tourists and looked upon as poor relations by those whom they regard as *parvenus*.

5. It is tragic, indeed, that there is no ready means of remedying this state of affairs. The main industries are agriculture (potatoes being the principal crop) and fishing, as they have been through the ages. There is a certain amount of lumbering also in New Brunswick and Nova Scotia. Unfortunately, all three provinces lack the water power which Ontario and Quebec possess in such abundance, and though Nova Scotia has coal, the mines are deep and difficult to work (they go under the sea). A steel industry at Sydney, using Newfoundland iron ore, has been built on them and has enjoyed a certain measure of success, but there are many factors which make one doubtful of its future. Lack of power, isolation from main markets, long and expensive freight hauls, and the relative smallness of the local population both as a labour reservoir and as consumers together constitute severe deterrents to industrialists engaging in new ventures in face of the fierce competition of mass-produced products in central Canada and the United States. Both the large railway companies in Canada have recently applied to the Government for a 30 per cent. increase in freight rates, an application which is now being argued before the appropriate tribunal and is causing great consternation; it is almost inevitable that a substantial increase will be granted and this is likely to retard industrial development still further and affect severely the few local industries still left.

6. In this situation there are two rays of hope—both of which may, of course, prove illusory. First, it is becoming increasingly recognised by modern economic doctrine (reinforced now by defence considerations) that it does not do for industry to be too much concentrated in any one area; if dispersal, rather

than concentration, becomes the order of the day, the Maritimes may, with Dominion Government assistance, obtain a fairer share of Canada's secondary industry than they have in the past. Secondly, if the move for a general reduction of tariff barriers, &c., bears fruit, and the United States plays its full part, producers in the Maritimes should be among the first to benefit, for they will be able to look increasingly to trade with the United States, their richest, as well as geographically their natural market. Either of these two developments would immensely improve the outlook in the Maritimes; if both were to come about in the course of the next few years, their position would be transformed. But as matters stand they constitute a serious problem, an area of sagging morale and low economic vitality in a rich and prosperous country, and it would be poor statesmanship indeed to turn a blind eye to their plight. Yet, perhaps because the story is so familiar, there is little recognition in Ottawa of the need to arrest the drift.

#### Prince Edward Island

7. Of the three provinces Prince Edward Island is perhaps the most happily situated. It is indeed a world of its own. With a population of only 93,000 it is virtually one family. It has a rich red soil, rather like the soil of Devonshire, and is ideally suited to mixed farming and particularly for potato-growing for which it is world famous. It also has magnificent fisheries, cod and lobster providing the main catch. It even boasts very fine oyster beds. It has no stone and very little lumber, but the island as a whole is very attractive and with its pleasant beaches and garden-like prettiness is much visited by summer tourists. But cut off not only from the main stream of Canada's economic life but even from its neighbours, New Brunswick and Nova Scotia, it is inevitably a simple and backward little community, at present making a reasonably good living, but only saved this spring by our fortuitous need for potatoes in Britain and with no defence whatever against any general fall in agricultural prices.

#### Nova Scotia

8. Nova Scotia, on the other hand, like Newfoundland, is nearly all rocky, which makes agriculture difficult. In Cape Breton there is some of the most magnificent highland scenery in the world, a great attraction for the holiday-maker but supporting only a very sparse population. The



coast abounds in fine harbours. Halifax and Sydney are both naval as well as commercial ports, but in each case suffering from the effects of peace-time retrenchment. Lunenburg, the home of the "Blue-nose" schooners, is the centre of the fishing industry. Agriculturally, the most fertile district is the Annapolis Valley, famous for its apple orchards, and this is the most prosperous part of the province. Great hopes have been built on the coal and steel industry at Sydney, but it has been paralysed in recent months by a prolonged strike, and the ensuing depression has cast a shadow on the community which was all too obvious during our visit. It looked while we were there as if a settlement had been achieved, but a dispute later broke out over the terms, and prospects for anything but an uneasy truce are very doubtful. Generally, unemployment had begun to develop on a substantial scale, and the atmosphere was not one conducive to confidence.

### New Brunswick

9. New Brunswick has few secondary industries of importance, but is fortunate in possessing at Saint John one of the gateways to the continent. This brings it all the commercial business of a large port, and it has a useful dry dock. Though the town is shabby, it is reported to contain much wealth. Lying next to the State of Maine, the province attracts each season large numbers of American visitors, and catering to these is one of its principal industries. Its fisheries are excellent—inland as well as sea—and it possesses the largest sardine-canning and lobster-packing plants in Canada. Its salmon rivers, strictly preserved, are world famous. Agriculturally, however, it is not spectacular; as in Prince Edward Island, there is a good deal of hog and dairy production, but the principal crop is potatoes.

10. Politically, the scene generally was a quiet one. In each province there is a Liberal Government with a handsome (in Nova Scotia, overwhelming) majority. The provincial legislatures, which usually meet for a few weeks in the spring of each year, had risen. In Prince Edward Island the Premier is a local farmer who enjoys much popularity and is noted for the raising of pedigree cattle; much more importance is, of course, attached to farming affairs than to anything else and the solitary newspaper contained little news of the outside world. The Premier of Nova Scotia, Mr. Angus Macdonald, is a man of personality and charm who figured for a time in the public

life of the Dominion as Minister for the Navy. He is a champion of "Maritime rights" and has undoubtedly a great hold on the province. Rumour has it that he is at odds with Mr. Mackenzie King and in recent months he has certainly been a thorn in the side of the Dominion Government, whom he has criticised with some bitterness for their handling of the discussions over Dominion-Provincial relations. After fighting a somewhat provocative rearguard action on this issue, he has recently accepted the latest Dominion offer—as was indeed always inevitable that he should; but the embarrassment that his tactics have caused the Liberal Party is shown by the fact that it is only this month that they have felt it safe to hold a by-election at Halifax to fill a seat in the Federal Parliament which became vacant last fall. In New Brunswick, the Premier, Mr. McNair, is a quiet, competent man who is doing well and is very likeable. The fairy godmother of the province is Lord Beaverbrook, who was born at Newcastle and is universally admired and looked on with awesome respect as the "local boy who made good." He has been a munificent benefactor to the University of New Brunswick at Fredericton and was recently installed as its Chancellor. He had left for England a day or two before my visit, but is expected to return in the fall and to take up residence in the Fredericton neighbourhood, at any rate during the warmer months.

11. I did not myself raise the subject of Newfoundland in my conversations, but many people mentioned to me the discussions which were taking place then and speculated on their outcome. The interest displayed was not at all pronounced, and it seemed to be generally accepted that Newfoundland, if she came into Confederation, would be a serious liability on the Canadian exchequer. On the other hand, several persons suggested that her entry might none the less be of great help to the Maritimes in the long run; for it might, they thought, open the way for the union of all the Maritime Provinces (including Newfoundland) on the lines originally contemplated in 1865, and for the building up of one large province in eastern Canada. This, they felt, would not only cut down overheads and make for improved administration all round, but would provide an effective political counter to the great provinces of Quebec and Ontario. Nobody, I know, would be better pleased with such a development than the Prime Minister himself, but I fear that local patriotism, and



local pride in the past, are such that it would take many years to achieve any such aim.

12. Meanwhile, with the gradual sapping of local morale and the continual migration to the United States or to other parts of Canada of the most energetic and enterprising and best qualified of the local population, the numbers of the French-speaking element are gradually increasing. Indeed, infiltration of the French Canadians from Quebec is, I am told, moving apace. In Prince Edward Island the French-speaking population is about 15 per cent. of the whole, but their rate of reproduction is very high (cf. the Lieutenant-Governor and his wife, who are of French origin and have had seventeen children, thirteen of whom are living) and the Premier expressed the view that by the

end of the century the island would be wholly French unless some totally new development occurred. The north shore of New Brunswick is now some 90 per cent. French, and Moncton itself some 30 per cent. In Nova Scotia, which is further away from Quebec, this tendency is less marked, but in Cape Breton, for example, there are a number of French settlements and these are on the increase. Relations with the French settlers appeared to be quite good, but the bogey of French domination is there, and the threat that this implies to the precious heritage of the past adds still further to the feelings of frustration and disillusionment which prey on so many minds in the "neglected" East.

P. A. CLUTTERBUCK.

W 4846/13/68

No. 23

**ANNUAL STUDY CONFERENCE OF THE CANADIAN INSTITUTE OF  
INTERNATIONAL AFFAIRS, LAVAL UNIVERSITY, QUEBEC CITY,  
JUNE 1947**

**Impressions of Mr. G. W. Tory, United Kingdom High Commissioner's Office,  
Ottawa**

*(Communicated by letter from Mr. Tory to Mr. Boyd-Shannon. Received in  
Dominions Office 19th June)*

The attached summary should be read with the following explanation. The organisers of the Conference made the serious mistake of trying to cover too much ground, as is illustrated by the enclosed agenda.<sup>(1)</sup> All four round tables tried to deal with all the items in three two-and-a-half-hour sessions, so the discussions consisted in the main of platitudes and of deliberately provocative statements intended to promote discussion for which there was, in the event, no time. There were, however, a few topics on which there appeared to be community of thought amongst those who spoke and these alone are dealt with in the summary. There were the same somewhat disparaging remarks about the position of the United Kingdom as were made on recent previous occasions but exaggerated importance should not be attached to these remarks and it should not be thought that they are necessarily representative of Canadian opinion generally.

Ottawa, 12th June, 1947

Enclosure in No. 23

*Notes on C.I.I.A. Annual Conference at  
Quebec City, 1947*

The representation at the conference was quite up to the standard of previous years, including some thirty university professors, a dozen or so prominent journalists, business men, economists, members of the professions, Members of Parliament—including one Federal Minister, Mr. St. Laurent himself—and members of the Canadian Broadcasting Corporation and Department of External Affairs. There were some thirty French Canadians and a fair sprinkling of United States representatives, including university professors, journalists and members of the Foreign Service. There were also a number of representatives from other foreign missions in Ottawa.

2. There were four round tables, but the following notes relate to the discussions at one of these only:—

**Relations with the United States**

3. Emphasis was laid on Canada's increasing dependence—both strategically and economically—on the United States.

(1) Not printed.



4. *Defence Collaboration.*—From the point of view of strategy it was generally assumed that the only threat to peace was from Russia and that Canada lay between Russia and its most likely primary objective in a future war, namely, the industrial and atomic energy plants of the United States. It was assumed that Europe, with the United Kingdom, would be neutralised quickly at the outset and that it would be useless as a base of operations. Defence would, therefore, have to be concentrated in North America. Russia could not, however, possibly undertake atomic war for some years and, in the meantime, it was important not to increase the tension by provocative measures. The consensus of opinion was that for this reason, if for no other, the Canadian Government had been wise in refusing to grant bases to the United States in Canada.

5. *Political and Economic Relations.*—The question of the possible absorption of Canada in the United States was discussed but everyone agreed that it would be against the best interests of Canadians themselves, irrespective of any sentimental attachment to the British Commonwealth connection. Canada would inevitably be treated economically as one of the poorer parts of the union and would in any case lose all the economic advantages of membership of the British Commonwealth. Apart from these considerations, Canada was bent on playing an increasingly important part in the world as a separate Power.

#### **Relations with the British Commonwealth**

6. As explained above, the United Kingdom was written off from the beginning as a future base of operations and she was in fact not taken into account at all as a military Power. The political future of the United Kingdom was not discussed directly, but there was a tendency to support the Churchill concept of a United States of Europe, including the United Kingdom, as offering the only hope of political and economic survival for the Continental countries, particularly in eastern Europe.

7. From the point of view of trade, the close interdependence of Canada, the United States and the United Kingdom pending the millennium of free multilateral trade, was emphasised. It was generally recognised that the prosperity of both Canada and the United States depended on the recovery of Europe, and that the United States would have to dip deeper into the dollar chest in order to put Europe on its feet again. There were a few sympathetic

references to the United Kingdom in her present difficulties, but there was no clear-cut opinion either way as to her prospects of recovery.

#### **Pan-America**

8. It was assumed—and not denied by the D.E.A. representative—that the United States Government had recently asked the Canadian Government what her attitude would be if asked at the next Pan-American Conference to join the Pan-American Union. The official attitude was not known, or revealed of course, but the general feeling in the discussion was that Canada stood to gain more by joining the Pan-American Union than by staying out. Canada was increasingly dependent in every way on collaboration with the United States—subject always to the preservation of Canadian sovereignty—and if by joining the Pan-American Union she could strengthen the hands of the United States in the Americas, which was felt to be the case, Canada should join and thus strengthen her own position with the United States. On the other side, it was argued that the advantages to be gained by joining the Pan-American Union would not outweigh the political disadvantages of alienating a large *bloc* of Canadian opinion which would see in this step a weakening of the British Commonwealth connection. But the majority of those who spoke were in favour of Canada joining the union if invited to do so.

#### **Russia**

9. It was acknowledged that the only hope of peace lay in inducing Russia to co-operate willingly in the working of the United Nations Organisation. For this purpose it was necessary to “reduce the heat” and to break down Russian suspicion of the democracies. No very clear recommendation was made as to the method of doing this, but it was felt that one possible line was to persuade Russia, by example in United Nations fields other than political, that a measure of sovereignty could be surrendered without serious consequences. It was also suggested that private trade might find and exploit gaps in the iron curtain.

#### **United Nations**

10. There was much loose talk about “adherence” to the United Nations, as if the United Nations was a policy and not simply an instrument, and about the lack of a Canadian “policy,” as if this was a written document which could be laid before the House of Commons. Most people



believed that Canada's great strength lay in the fact that by her military and industrial effort she had won a prominent place in the world councils, and that, having little direct interest in many of the immediate causes of dispute at international conferences, she was able to make good use of her weight without incurring the charge of self-interest.

11. A comparison was drawn between the United Nations and the League of Nations in favour of the former, in that, with the division of responsibility between the various councils, it was now possible to discuss non-political issues out of the context of political controversy, whereas in the League of Nations Assembly and Council, which dealt with all matters, the atmosphere of ill-will engendered by political differences was always present in non-political discussions.

12. It was deplored that apathy towards international affairs and cynicism as to the efficacy of the United Nations Organisation were increasing in Canada, and it was agreed that the best way of

combating this tendency would be for the press to concentrate more on the practical achievements of the organisation instead of confining itself, as at present, for the most part, to the enunciation of high-sounding principles and the writing-up of disputes. An attempt should also be made by the press to make international issues intelligible to the man in the street by reducing them to practical terms.

### Atomic Energy

13. In seeking possible ways out of the present *impasse* in negotiations for international control, the meeting discussed what would be the result of revealing all secrets now—in advance of the setting up of international control—in the interests of removing suspicion. It was agreed that this would widen *ad infinitum* the field of possible aggression, and would make very much more difficult the task of achieving effective control.

Ottawa, June 1947

W 4895/13/68

No. 24

## CANADA: VISIT OF PRESIDENT TRUMAN

Sir A. Clutterbuck to Viscount Addison. (Received in Dominions Office 19th June)

(No. 172)

Ottawa,

My Lord, 13th June, 1947

I have the honour to report that the President of the United States, accompanied by Mrs. Truman and Miss Truman, have paid an official visit to Canada. The full composition of the party and the detailed arrangements for their visit are shown in the enclosed<sup>(1)</sup> notes. The Presidential party arrived in Ottawa by train on the afternoon of 10th June and proceeded in what is generally known on this continent as a "motorcade" to Rideau Hall, where they were the guests of the Governor-General and Lady Alexander. The President's arrival coincided with the celebration of the anniversary on which Mr. Mackenzie King completed twenty years' service as Prime Minister and Mr. Truman graciously consented to be present at the unveiling of portraits of Canada's Prime Ministers in two world wars—Sir Robert Borden and Mr. Mackenzie King. The Governor-General was host at a state banquet later in the evening at which the attendance included Cabinet Ministers and

their wives and the United States Ambassador and Mrs. Atherton: after dinner a reception was held to which were invited also the members of the Diplomatic Corps, representatives of the Churches, and the High Commissioners of the other parts of the Commonwealth.

2. The Presidential party left Rideau Hall on the morning of 11th June to stay at the residence of the United States Ambassador and Mrs. Atherton. On the same morning Mr. Truman addressed a special joint meeting of the Senate and the House of Commons in the Parliament Building and I enclose<sup>(1)</sup> the official record of the proceedings. Immediately thereafter he laid a wreath at the National War Memorial. He then attended a lunch given by Mr. Mackenzie King on behalf of the Government of Canada at the Château Laurier at which members of Parliament, heads of Foreign Missions, Commonwealth High Commissioners, representatives of the press, and persons prominent in the public life of Canada were present. Mr. Truman made a brief informal speech and was in

<sup>(1)</sup> Not printed.



happy vein expressing his delight at the warmth of the welcome which had been given to him throughout his visit. In the evening the President and Mrs. Truman dined quietly with the Prime Minister at Laurier House.

3. The last day of the visit was kept free from official functions and the President drove out to the Seignury Club, some fifty miles down the Ottawa River. In the evening a dinner was given by the United States Ambassador and Mrs. Atherton and the Presidential party left on their return journey by train late on 12th June.

4. While the Ottawa crowds are never large and seldom demonstrative, Mr. Truman received a most enthusiastic welcome wherever he went and there is no doubt that his visit has given very genuine pleasure. For their part, Canadians have been struck by his obvious friendliness, his buoyant spirits and his sense of humour. In a word they have acclaimed him not so much as a great man, but as one who has had greatness thrust upon him and who has acquitted himself in a most unenviable position with increasingly marked success.

5. The major public occasion during the President's visit was, of course, his address to Parliament. The President was introduced in an address of welcome by the Prime Minister, who after doing the usual honours diverged for a moment to sympathise on the President's position in being faced with a legislature of which the majority might be disinclined to accept the Government's policies; but he wished to encourage the President by assuring him that there had been occasions when he himself had had to face situations not wholly dissimilar, but that he had yet to find that such embarrassments are necessarily a bar to many years of office!

6. Addresses on such occasions inevitably tend to be a repetition of platitudes, and this was no exception. But the President laid special emphasis on a restatement in general terms of what has become known as the "Truman Doctrine," and it was perhaps significant that the greatest applause was reserved for his remarks on this subject. His announcement that the United States intended to "support those who are determined to govern themselves

in their own way," and to aid "those who seek to live at peace with their neighbours, without coercing or being coerced, without intimidating or being intimidated," was greeted with marked enthusiasm.

7. The President also touched on some current problems of United States-Canada relations. He showed himself a warm supporter of the St. Lawrence seaway project, which he referred to as "economically sound and strategically important" and painted a glowing picture of the possibilities for the future when this project had been carried out. He also referred to the co-operation of the two countries in defence matters, and attached special importance to the work of the Permanent Joint Board on Defence, emphasising that Canada and the United States participated on a basis of equality, and that the sovereignty of each was carefully respected.

8. Mr. Truman was perhaps less happy in his references to trade. He made great play with the high volume of trade between the United States and Canada, and was at pains to show that the United States sold to and bought from Canada far more than the United Kingdom and, indeed, more than the United Kingdom and other major countries combined. But the point in every one's mind was, of course, Canada's unfavourable balance of trade with the United States and the President forbore to give any comparison between what the United States bought and what she sold.

9. I understand that major matters of policy were not discussed during the President's visit, though the press had been busy with speculations about a major new economic and financial understanding between the two countries. Indeed, the composition of the President's party ruled out any detailed discussion of such matters. In fact, the purpose of the visit was purely social and friendly, and from this point of view it can be said to have been completely successful in strengthening the close and friendly relations and sense of partnership between the United States and Canada.

10. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador at Washington.

I have, &c.

P. A. CLUTTERBUCK.



W 5058/13/68

No. 25

## CANADA: THE MARIAN CONGRESS

*Sir A. Clutterbuck to Viscount Addison. (Received in Commonwealth Relations Office 7th July)*

(No. 190) Ottawa,  
My Lord, 28th June, 1947

I have the honour to submit a report on an impressive event in the life of the Roman Catholic community in Canada—the Marian Congress which was held in Ottawa from 18th to 22nd June.

2. The occasion for the holding of the Congress in the capital city was the centenary of the founding of the diocese of Ottawa, but this event was overshadowed by the wider purposes to which the Congress was devoted. The Congress was dedicated to prayers for a lasting peace, on the theme of devotion to the Virgin Mary. The Congress was accordingly named after the Virgin and worship of her figured prominently in all the celebrations.

3. The Pope appointed as Papal Legate Cardinal McGuigan, the English-speaking Archbishop of Toronto, and, since the death of Cardinal Villeneuve, the only Canadian member of the Sacred College. Archbishop Vachon of Ottawa and the Most Reverend Ildebrando Antoniutti, the Apostolic Delegate, were mainly responsible for the arrangements at Ottawa. Visitors from other parts of the world included a striking number of members of the Roman Catholic hierarchy and no less than seven cardinals, namely Cardinal Tisserant (Rome), Cardinal Spelman (New York), Cardinal Gerlier (France), Cardinal Stritch (Chicago), Cardinal Frings (Cologne), Cardinal Mindszenty (Hungary), Cardinal Betancourt (Cuba). Archbishop John D'Alton, Primate of Ireland, came by air to attend the ceremonies and was the guest during his stay of the High Commissioner for Eire. I understand that Cardinal Griffin was also invited but was unable to make the journey.

4. The main events of the Congress were held at the Exhibition Grounds in Ottawa (which during the war had been a military camp). These were rapidly transformed into a vast arena with an altar topped by an illuminated statue of the Virgin on a high pinnacle rising to 180 ft. In the grounds religious exhibitions were daily on view. Here were celebrated Masses and religious pageants. Here, too, elaborate

catering arrangements were made to feed the throngs of visitors.

5. The proceedings opened with a triumphal drive of the Papal Legate from the residence of the Apostolic Delegate to the Cathedral, where a liturgical reception was held. The procession was escorted by a band of the R.C.A.F. and other military detachments and the display of pomp by contrast rather put in the shade the modest display staged for the welcome to President Truman in the previous week. The celebrations included daily Masses and services, religious plays and pageants. The Pope broadcast a message from Rome and sermons were delivered by many of the visiting dignitaries. A parade with floats depicting scenes in the life of the Virgin Mary was held through the streets of Ottawa on Saturday afternoon. The proceedings closed with elaborate ceremony on Sunday night. There was then a torchlight procession with bands, girls from neighbouring convents holding lanterns, representative groups from the various religious orders, detachments of semi-military bodies from Quebec, and floats showing various religious themes, such as the Last Supper and Communion, and emblems, such as the lamb and the doves of peace. The procession culminated in the impressive spectacle of the Papal Legate, preceded by the Papal Guard of Zouaves and walking on foot for the two-mile journey, bearing the Host. A Solemn Benediction was then given at midnight and the Congress ended in a giant display of fireworks with set pieces depicting scenes in the life of the Virgin Mary.

6. The Congress was not without its social side. The Governor-General tendered a luncheon to the Papal Legate and other representatives. The Prime Minister, on behalf of the Canadian Government, entertained the representatives of the Congress at a reception and was also host at a small luncheon to the Cardinal Legate. Archbishop Vachon gave a banquet at which were present the visiting cardinals, the Governor-General, Cabinet Ministers, members of the Diplomatic Corps, Commonwealth High Commissioners, Members of Parliament, and provincial representa-



tives, and which I attended. The Prime Minister's speech at the Government reception, which was released for publication, was of some interest as it showed the delicate ice on which he was treading. After paying almost perfunctory tribute to the Congress, he went on to quote Tennyson on the subject of prayer, but to insist that something else was essential to the preservation of peace; that was "the need to supplement prayer with action." He believed that "the watchful eye and the strong arm" were, in these critical times, more than ever necessary to protect us from injustice and wrong. He asserted that he was himself still "a continuing Presbyterian" and he concluded his remarks by quoting what he had said on a previous occasion when he had addressed members of the United Church of Canada! As has perhaps not unfairly been said, the Prime Minister's presence at the reception was designed for his Roman Catholic audience and his published remarks for the Protestant electorate.

7. There can be no doubt of the popular fervour aroused by the Congress. The vast crowds alone testify to that: it is estimated that some 200,000 visitors—more than the total population of Ottawa—came to the city. But in addition there can scarcely have been a Roman Catholic dwelling in Ottawa which did not make a brave display of flags, flying either the special Congress banner or the papal colours; Roman Catholic churches and buildings were illuminated and so too were many private houses. A special pilgrimage was made from Le Cap (near Quebec) from where an effigy of Notre Dame du Cap was borne to Ottawa and was received with solemn ceremony at all points on the route. Nothing was omitted to ensure the dramatic appeal of the spectacle and to capture the imagination of those witnessing it.

8. It was an ironical coincidence that the Congress should have taken place when, for the first time in Canadian history, there was only an English-speaking Cardinal. But Cardinal McGuigan made an impressive and popular legate and his leadership may have done something to bring together the traditionally separate if not even antagonistic elements of Roman Catholicism in Canada—the dominating French strain

and lesser one of Irish origin. Whatever the cause, the two races appeared to show a spirit of complete co-operation throughout the Congress.

9. In view of the strength of Protestant feeling, it is perhaps remarkable that opposition was so slender. There were at an early stage some protests on the grounds of extravagance and of the use of such quantities of timber when at present it is in such short supply, but these were soon quietened and, in spite of threats from Jehovah's Witnesses and Orange Societies, the celebrations took place in an atmosphere of complete tolerance and good-will. Nevertheless, if there was no open opposition, it is probable that few converts were made and that the unusual ceremonies only served to throw into deeper relief the differences between the Roman Catholic and Protestant ways of life.

10. Of the wider results of the Congress it is difficult to speak. It has certainly been an impressive demonstration of the strength of Roman Catholicism in Canada. Whether there will be any effect on the public attitude to international affairs is impossible at this stage to assess. The main object of the Congress was prayer for the peace of the world and this obviously is in line with the universal desire. It was widely believed also that one of the unavowed aims of the Congress was to counteract the growth of communism and this too would meet with general sympathy. There was, however, naturally no attempt to suggest material proposals to deal with the dangers of the present world situation. But, in spite of the international flavour imparted by the main purpose of the Congress and by the presence of so many prelates from abroad; in spite, too, of the collaboration of English-speaking Roman Catholics, the Congress was essentially an expression of the strength of Roman Catholicism in Quebec and a manifestation of the tenacity of the French-speaking population in clinging to the traditions of their race and their faith.

11. I am sending copies of this despatch to His Majesty's United Kingdom Ambassador at Washington, and to the United Kingdom representative in Eire.

I have, &c.

P. A. CLUTTERBUCK.



W 7766/13/68

No. 26

**CANADIAN ARMED FORCES**

*Sir A. Clutterbuck to Mr. Henderson. (Received in Commonwealth Relations Office  
15th October)*

(No. 268)

Ottawa,

Sir,

7th October, 1947

I have the honour to report that the Ministry of National Defence have launched a campaign of recruitment for the active and reserve forces. This began on 30th September, the date on which the Canadian armed forces officially stood down from their war-time footing of active service. In preparation for the campaign, the Ministry of National Defence have circulated a very useful statement entitled "Information on Canada's Defence Achievements and Organisation," and I enclose copies<sup>(1)</sup> of this statement herewith.

2. In his despatch No. 34 of 5th February, Mr. Garner reported that the strengths of the three armed services in Canada were to be limited to 75 per cent. of the numbers set for planning purposes in the previous year's estimates. These are, in fact, the figures on which the Ministry of National Defence are now working. In all, about 6,000 men are needed to bring the three services up to the required total strength of 38,400. The navy only requires 679 and the air force 346,<sup>(2)</sup> numbers which should easily be made up. The army, on the other hand, want 4,765, and it is principally to obtain these men that the present campaign is being launched. It was already apparent last February that recruits were not coming forward for the army, and it is equally obvious from the figures available since then that recruiting for the army has been virtually at a standstill during the subsequent seven months, even when allowance is made for releases. This will help to explain why the Ministry of National Defence are now wielding such a heavy hammer to crack what must appear to be a rather small nut.

3. As was inevitable, the defence estimates for the current year showed a sub-

stantial reduction on last year's actual expenditure; the final accounts for 1946-47 revealed a total of approximately \$383 million and the estimates for this year stand at \$240 million. No doubt bearing in mind earlier criticism that security was being sacrificed to the budget, Mr. Brooke Claxton felt it necessary, when introducing this year's estimates, to explain the economy in the following terms: "Leaving budgetary considerations aside, it may be doubted if more than the sum sought of \$240 million could wisely be spent in Canada on defence during the current fiscal year. While much progress has been made, no one appreciates more than myself that there is still a lot of work to be done in reorganisation before we can provide a proper organisational and administrative basis for the defence forces that we may have in future." Again, at the end of the enclosed paper he says, "It is believed that it is a primary importance to complete this work of reorganisation so as to secure the utmost value for the defence dollar, provide a sound basis on which to carry on the work of the post-war forces and be the foundation for rapid expansion if that should prove necessary."

4. Under the direction of Mr. Claxton the newly-unified Defence Ministry has, in fact, made impressive progress in the higher organisation of Canadian defence. This aspect of the Department's work is dealt with very clearly in the second part of the enclosed pamphlet. The consolidation of the Defence Headquarters and the setting up of the Defence Research Board have already been reported—in Mr. Garner's despatch No. 34 of 5th February and in my despatch No. 10 of 14th January, respectively. These developments are explained in greater detail in the enclosure and it is there revealed, in addition, that the Government are in the process of setting up a committee to advise the Minister and the Defence Committee of the Cabinet on matters of industrial organisation. This is to comprise representatives of the manufacturers who made munitions during war-time, Canadian Arsenals, Limited, the Canadian Commercial Corporation, the Department of Trade and Commerce, the principal supply officers of the services and the Defence Research Board. Canadian Arsenals, Limited, the Crown corporation

<sup>(1)</sup> Not printed.

<sup>(2)</sup> Although the figure given for the shortage in the air force is correct, it is an over-all figure. The air force is, in fact, many hundreds below strength in skilled personnel, and it is owing to the shortage of skilled personnel that the air force has so far been unable to put a single operational squadron (with the exception of their two transport squadrons) on an operational basis. Moreover, owing to the ease with which release can be obtained, large numbers of trainees are leaving the air force before the completion of their training to undertake commercial employment. The total reduction per year in air force numbers is given as 12½ per cent.



formed during the war for the manufacture of armaments, will continue to be responsible for the production of certain types of munitions, and will in addition have important functions in connexion with industrial organisation and development. The Canadian Commercial Corporation, as I have reported earlier, will in future be in charge of defence purchasing. The new body will, therefore, be particularly well adapted to advise the Government on the defence aspects of industrial development and research. It is explained in the pamphlet that under war-time arrangements a high proportion of the equipment used by Canadian forces was of United Kingdom design, whereas both industrial practice and standards in Canada were North American. "For this reason," the paper says, "Canada has a special stake in standardisation of arms and equipment." It seems quite clear, in fact, that the problem of standardisation will be one of the principal concerns of the new committee.

5. The campaign itself opened with a broadcast speech by the Minister in very general terms, exhorting the young men of Canada to do their duty as citizens by joining the services. This will be followed by a series of national broadcasts at intervals. For the rest, the campaign has been delegated to regional commands. In service circles there is little confidence that the campaign will succeed, and the conviction appears to be growing that nothing short of compulsory enlistment will bring the army up to the required strength. Pay, although apparently high in comparison with that of United Kingdom servicemen, is too low in relation to the high cost of living in Canada to attract young men of the required type. Regimental service, never very exciting at home stations in peace-time, has fewer attractions in Canada than it would normally offer

because many units are now at little more than cadre strength. The explanation of this, I understand, is that when the decision was taken to limit the armed forces to 75 per cent. of the strength authorised a year ago, the Ministry concentrated virtually the whole of its attention on the headquarters staffs and retained them on at least a 100 per cent. basis at the expense of the units, not one of which now stands at more than 55 per cent. of the establishment originally authorised.

6. Very little interest seems to have been aroused by the opening of the campaign. The few press reactions have for the most part been mildly favourable, although the diehard Conservative Toronto *Globe and Mail* has not missed this opportunity of chiding the Government once again for withdrawing the Canadian forces from Germany in 1945. "With that move," says the *Globe and Mail*, "the Canadian army lost at once the appeal of adventure and service as far as future recruits were concerned," and, in their view, the Canadian army, which is so sadly lagging behind the other services in numbers, would have no serious difficulty in making up its strength if the Government let it be known that Canada intended to resume her share of occupation duties in Germany to assist over-burdened Britain. This familiar cry from Toronto has not, however, been taken up elsewhere, and it looks as if the feeble flicker of public interest in recruitment has already died out. It remains to be seen whether Canada's election to the Security Council will revive it.

7. I am sending copies of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

P. A. CLUTTERBUCK.

W 7972/13/68

No. 27

## CANADA'S POSITION IN INTERNATIONAL AFFAIRS

Speech by Mr. St. Laurent, Secretary of State for External Affairs

Sir A. Clutterbuck to Mr. Noel-Baker. (Received in Commonwealth Relations Office, 24th October)

(No. 279)

Sir, Ottawa, 20th October, 1947

I have the honour to inform you that an important speech on Canada's position in world affairs was delivered by Mr. St. Laurent, the Secretary of State for External Affairs, at the annual convention of the Canadian Chamber of Commerce in Quebec on 8th October. Copies of an official

release containing salient extracts from the speech are enclosed herewith.

2. Mr. St. Laurent dealt, in the first instance, with the general position of international affairs, with particular reference to the discussions at the United Nations Assembly. He dwelt at length on the attitude of Soviet Russia and, in



describing Soviet behaviour, employed, perhaps, the strongest language so far used by a Canadian Minister on this subject. He repeated his own statement at the United Nations Assembly that the Security Council was "frozen in futility and divided by dissension," and implied that democratic and peace-loving nations might have to form an alternative association to the United Nations, without Soviet Russia.

3. Mr. St. Laurent went on to refer to the position in Canada in somewhat mysterious language. He said that "if theory-crazed totalitarianism groups persist in their policies of frustration and futility we will not, for very much longer, allow them to prevent us from using our obvious advantages to improve the conditions of those who do wish to co-operate with us . . . and thereby overcome the difficulties we ourselves are experiencing from the present disruption in the normal flow of trade. . . ." He added "to overcome those difficulties Governments may have to resort to some measures of regimentation and direction of the economies of their peoples," and he went on to express the hope that such policies would be patriotically supported by the Canadian people.

4. The reference to "regimentation" has caused much speculation. Some commentators have assumed that Mr. St. Laurent had in mind Canada's own balance of payments difficulties and the action which she will soon be forced to take to reduce her adverse balance of trade with the United States: others, though the minority, have assumed that he was thinking of the measures of self-denial which might have to be adopted in this country if Canada is to play her part in ensuring the necessary supplies of food for Europe. In Mr. St. Laurent's absence in New York, no authoritative explanation has been forthcoming, but it seems not unreasonable to suppose that he was not, in fact, intending to make any new declaration of policy. It is more likely that he was merely seeking to bring home to the country the general lesson that, as events have shown, the economic life of the Western world, including Canada herself, cannot be effectively restored without further sacrifices of normal peace-time freedoms.

5. The question of what action can be taken to remedy the present unbalance in Canada's trade with the United States is at present under intensive study and it is expected that an official announcement of Government policy will be made in the near future. In the meantime expectation that the Canadian Government may be intend-

ing to introduce restrictive measures in this country in order to assist the restoration of Europe has been countered by subsequent announcements by Mr. Abbott and Mr. Gardiner. Mr. Abbott has said that a free economy must be allowed to work and further controls could not be imposed: while, in what may have been an oblique reference to Mr. St. Laurent's speech, Mr. Gardiner has said "during the war we placed Canada under controls and regimented Canadians, making it clear when we did so that it was not in harmony with liberalism."

6. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the Permanent United Kingdom Delegate at New York.

I have, &c.

P. A. CLUTTERBUCK.

Enclosure in No. 27

*Mr. St. Laurent's Quebec City Address*

The following is partial text of the address made on 7th October, 1947, at a meeting of the Chamber of Commerce at the Château Frontenac, Quebec, by the Right Honourable L. St. Laurent, Secretary of State for External Affairs:—

" . . . It requires no extensive research to enable one to come to the conclusion that things are not going well with the United Nations. The attitude of our Russian friends, though perhaps not surprising, has certainly been disappointing, one might almost say exasperating.

"I have said that it was not surprising because it has been from the very first stubbornly consistent. At the international conferences, while the war was on, it appeared quite natural to Stalin that all the important decisions be made by himself, by Churchill and by Roosevelt. When Mr. Churchill and Mr. Roosevelt suggested a United Nations organisation, Mr. Stalin agreed, but stipulated that the organisation would have nothing to do with the peace terms to be imposed upon our former enemies and these terms would be determined by the Foreign Ministers of the Big Three, which might become the Big Four if France joined them. He also stipulated that the United Nations would only act through a Security Council and that no important decision in the Security Council could be made without the concurrence of his representatives, *i.e.*, that each of the Big Powers would have an absolute veto.

"When the rest of us signed the United Nations Charter at San Francisco we had



to accept these conditions, and we did accept them after it had been stated by representatives of the Big Powers, in the presence of the Russian delegates, that no one of them would use his right of veto except in the interest of the United Nations as a whole. Since then, the Russian representatives have used it over twenty times, and, as a consequence, they have made the Security Council practically unworkable as the main instrument of the United Nations to secure and maintain peace. That is apparently what they want, and they are now waxing very indignant over what they call the efforts of the United States, the United Kingdom and the Powers friendly to them to by-pass the United Nations and get something accomplished in spite of their vetoes.

"I say again that this is not surprising, because we have long known that the attitude of the Russians is to insist that 'no international question can be solved correctly and justly if an attempt is made to solve it without the Soviet Union, or against its interest.' Now, it is perfectly clear that the Soviet Union wishes to see what it calls capitalistic régimes destroyed and communistic totalitarianism established everywhere . . . .

"We, in Canada, have an economy based upon the principle of multilateral trade and multilateral currency conversion . . . . We are vitally concerned in the prompt restoration of European economies and in the removal of those troublesome threats to peace and stability which block the path to such restoration . . . .

"Nations, in their search for peace and co-operation, will not and cannot accept indefinitely and unaltered a Council which was set up to ensure their security, and which, so many feel, has become frozen in futility, and divided by dissension. If forced, they may seek greater safety in an association of democratic and peace-loving States willing to accept more specific international obligations in return for greater national security. Such associations, if consistent with the principles and purposes of the Charter, can be formed within the United Nations. It is to be hoped that such a development will not be necessary. If it is unnecessary it will be undesirable. If, however, it is made necessary, it will take place. Let us not forget that the provisions of the Charter are a floor under, rather than a ceiling over, the responsibilities of member States. If some prefer to go even below that floor, others need not be prevented from moving upwards.

"Since then, we have been elected to membership of the Security Council. Our conduct there will be along the lines of the above cited statement. We will go to the most extreme limits to make the United Nations work as a universal one-world organisation, and I still hope we can do it. We are the majority in numbers, we possess the greatest production capacity, we possess the strongest armaments and we have on our side the freedoms that seem so indispensable to the true nature of God-made men. We are willing to devote all that to the welfare and uplifting of all men. But if theory-crazed totalitarianism groups persist in their policies of frustration and futility we will not, for very much longer, allow them to prevent us from using our obvious advantages to improve the conditions of those who do wish to co-operate with us, and thereby overcome the difficulties we ourselves are experiencing from the present disruption in the normal flow of trade and the normal exchanges of specialised services between nations and between their respective peoples.

"To overcome those difficulties, Governments may have to resort to some measures of regimentation and direction of the economies of their peoples, and if and when that is done the efficiency and real helpfulness of those measures will depend upon the manner in which they appeal to you and to the other informed members of our Canadian public.

"You may be assured this whole problem is being given, and will continue to be given, the most careful consideration by the Government and by those from whom it takes expert advice in that regard. We are not going to jump at hasty conclusions, but we are not going to stand idly by and allow situations to develop to the point where they would be apt to be irremediable.

"We will count upon your whole-hearted co-operation, and I am sure that, if our policies are wisely conceived and put forward in a truly constructive way, we will all be able to rise above considerations of ordinary partisan politics and push them forward with the same patriotic fervour and unselfish unanimity that characterised our national efforts during the strenuous days of the shooting war. Those days are over, but we still have with us the profound dislocations which they brought about, and those dislocations have got to be dealt with in the same unselfish spirit that gave us victory in the shooting war. It can be done. Let us, each one of us, make it our business, individually and collectively, to see that it is done."



## POLITICAL SITUATION IN CANADA

*Sir A. Clutterbuck to Mr. Noel-Baker. (Received in Commonwealth Relations Office 11th November)*

(No. 284)

Sir, *Ottawa, 6th November, 1947*

With reference to my despatch No. 12 of 15th January I have the honour to inform you that an important by-election was held on 20th October at York-Sunbury, New Brunswick, and that it was won decisively by the Government.

2. Last year had been a bad one for the Government. As I reported in my despatch No. 442 of 9th November last, the Government suffered three successive defeats at by-elections during the latter part of 1946. Confidence in the Liberal Party was shaken to such an extent, particularly by the loss of the Pontiac seat in the heart of the Liberal stronghold of Quebec, that the Prime Minister found it necessary to express his dissatisfaction with the party machine and to issue a clarion call to the faithful. This year the Government have done much better and have now won four successive victories at the polls. As I explained in my despatch of 15th January, the victory at Richelieu-Vercheres had been counted on because the Liberal Party were probably more firmly established there than anywhere in Canada. At Halifax in July a Liberal victory was also generally expected, though the Government were obviously nervous over the way their negotiations with the provinces were going and managed to delay the election until the taxation agreement with Nova Scotia had been successfully negotiated. At Montreal-Cartier in March the seat left vacant by the expulsion of Fred Rose, the Communist Member of Parliament convicted of espionage, was won easily by the Government, primarily on the anti-Communist issue. Individually, therefore, these three Liberal victories had caused no surprise. Collectively, however, they represented a solid achievement which had done much to restore confidence within the Liberal Party ranks and to strengthen the hands of the Government.

3. The seat at York-Sunbury fell vacant on the death of the Hon. H. F. G. Bridges, the Minister of Fisheries, who had held it since the general election in 1945. From 1917 until 1945 onwards, when Mr. Bridges won the seat for the Liberals, there had not been a single Liberal holder, and,

with brief intervals, the Conservatives have held the seat since the last century. The fact that Mr. Bridges was a Minister in the Federal Cabinet, however, gave the Government a strong hold on the constituency. The Government candidate chosen to succeed him, Brigadier M. F. Gregg, V.C., a former Sergeant-at-Arms and latterly President of the University of New Brunswick, was highly respected in the province and would probably have won considerable support on his own merits. But no doubt he owed some of his success also to the fact that he had already been appointed Minister of Fisheries to succeed Mr. Bridges and that his defeat would have meant that New Brunswick would no longer have been represented by a Federal Minister.

4. The importance of this factor was emphasised by the Government's tactics over the announcement of the terms to be offered to Newfoundland. There had been much comment about the length of time which was being devoted to the Newfoundland discussions, and it had been suggested that the announcement of Canadian terms for confederation was being delayed for political reasons until after the York-Sunbury by-election. It was alleged that the Government feared that the electorate might be disgruntled if they were to learn that more generous financial terms were to be offered to Newfoundland than had been offered to, and accepted by, the other provinces. No doubt these considerations were not absent from the minds of the Liberal Party managers, but the Government were also genuinely anxious to prevent Newfoundland becoming an issue of controversy and to ensure that an elected representative from each province should be a member of the Cabinet when the final decision was taken. It was perhaps not surprising that in their public explanation they confined themselves to asserting that the Maritimes were regarded as being especially concerned in the question of including Newfoundland in the confederation, and that they wanted Mr. Gregg to be able to speak for New Brunswick in the Cabinet. The Opposition press made light of this explanation and still maintained that the delay was a political manoeuvre. This situation might easily have proved



embarrassing to the Government, but, strangely enough, press criticism remained for the most part on the level of light banter and there was no serious attempt to make political capital out of the Government's dilemma.

5. Otherwise there were no major issues at the by-election, though the Opposition made the most of the Government's failure to halt the rising cost of living, to provide adequate housing and to deal with the acute dollar shortage. The contest was lively, as each party sent an imposing array of leaders and many Cabinet Ministers took part, but it was fought largely on local and personal issues.

6. In the circumstances, therefore, it was no great surprise that the Government retained the seat. But it was a distinct feather in their cap that they had a majority of nearly 4,000 votes, representing an actual increase of more than 1,000 votes over the Liberal return in the General Election of 1945. In accordance with what is now becoming increasingly the standard political pattern, the Progressive-Conservatives fell back heavily, losing some 2,000 votes as compared with the General Election figures, and the C.C.F., though still third at the polls, made a significant gain, more than doubling their 1945 vote. Analysis of these results bears out the deduction from previous results that both the Liberal Party and the C.C.F. are gaining at the expense of the Progressive-Conservatives. It is, indeed, becoming apparent that the Progressive-Conservatives themselves are conscious of their failure and that discontent is growing within their ranks at the leadership of Mr. Bracken. Conservative commentators have lately come into the open with outspoken criticism of the "bankruptcy of ideas" shown by Conservative leadership and with repeated appeals for more imaginative exploitation of the Conservative creed. In certain quarters, notably Toronto, malcontents in the Conservative Party have given practical expression to this feeling by advocating the entry of Colonel Drew, the Premier of Ontario, into federal politics, and, by implication, his assumption of the leadership of the party in place of Mr. Bracken.

7. The present political picture in Canada, therefore, is of a Progressive-Conservative Party in the doldrums, losing confidence within its own ranks through ineffectual leadership and inability to put forward a constructive alternative to liberalism. The C.C.F., on the other hand, though still a small minority, is making

slow but steady progress, but is too far behind to be the cause of any immediate concern to the present Government. The Liberal Party, with the substantial vote of confidence which four successive election wins represent, with no serious single party opposition in the House, is therefore in a more satisfactory position than would seem to be suggested by their slender majority in the House and the many unresolved problems which confront them.

8. There have in the past been frequent rumours of Mr. King's impending departure from the political scene with the inevitable speculation as to his successor. Sometimes these have been accompanied by gloomy prognostications about the chaos which might result from the absence of any outstanding Liberal leader to replace him. There are increasing indications that Mr. King does definitely intend to retire some time during 1948, and that his mantle is likely to fall on the shoulders of Mr. St. Laurent. Mr. St. Laurent was previously thought to have been determined to return to his lucrative legal practice in Quebec, but he was appointed Secretary of State for External Affairs at a critical time and consented, at first reluctantly, to stay on to continue handling the international issues in which Canada has increasingly been forced to take part. He has in the process immeasurably grown in stature and has latterly become virtually indispensable. There is probably no other Minister at the present moment who could rival Mr. St. Laurent in political acumen, in the quality of elder statesmanship and in the confidence accorded to him by all parties in his present office. Most important of all, while he is a French-Canadian and therefore a living guarantee of the support of Quebec, he has won the goodwill of English-speaking Canada as well. It might almost be said, therefore, that the very prospect of such a worthy successor to Mr. King is already an additional factor contributing to the comfortable feeling of self-confidence which the Liberal Party at present enjoys.

9. The Government are, however, about to face a severe test as a result of impact on Canada of the world dollar shortage. For two years Canada has been living on her reserves, and with full employment and high wages her people have been enjoying an almost unprecedented prosperity. But reserves are now running out, and the introduction of unpalatable measures to reduce the enormous adverse balance with the United States can no longer be postponed. For such measures—which are



likely to call for many readjustments in trade and industry, with consequential disturbance to employment—the Canadian public is ill-prepared, and much will depend on the skill with which the Government handles the situation when Parliament meets on 5th December.

10. I am sending copies of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

P. A. CLUTTERBUCK.

C.R.O. Ref.: M 2011/2

F.O. Ref.: W 8546/13/68

No. 29

## CANADIAN IMMIGRATION POLICY

*Sir A. Clutterbuck to Mr. Noel-Baker. (Received 27th November)*

(No. 295)

Sir, *Ottawa, 27th November, 1947*

Since my despatch No. 179 of 19th June was written there have been some developments in Canadian immigration policy which it may be useful to review.

2. Before Parliament was prorogued in July, the report of the Senate Standing Committee on Immigration and Labour was presented to the Senate and approved. A copy<sup>(1)</sup> of this report is enclosed. The committee noted with satisfaction the developments towards a more liberal immigration policy which had taken place in the previous year. Their recommendations are generally summarised in their final conclusion:—

“Public opinion approves a carefully selective immigration in numbers not exceeding from time to time the absorptive capacity of our country, and industrial and economic conditions at present are favourable. The Government should, in consequence, find some way to provide the necessary ocean transportation, the failure of which is the only physical bar now to a successful immigration movement.”

3. It is noteworthy that, of the large number of witnesses who appeared before the committee, not one advocated “the closed door.” All were in favour of immigration and of Canada doing her share in the rescue of displaced persons from Europe. Likewise, when the report was submitted to the Senate, not one member spoke against its recommendations.

4. In subsequent months there have been some signs that the Prime Minister's promise of 1st May that, in future, a more liberal interpretation would be placed on the immigration regulations is, to some extent, being fulfilled. In particular, there has been considerable progress in the

admission of displaced persons to Canada:—

(a) In June the number of displaced persons to be admitted, whether or not they had relatives in Canada, stood at 5,000; in July this figure was increased to 10,000; and in October to 20,000. This total will eventually be deducted from whatever number of displaced persons Canada agrees to accept under international arrangements.

(b) Canadian immigration officers have been instructed to accept applications for admission to Canada from displaced persons who have relatives here prepared to stand guaranty for them, even although those relatives are not strictly within the degree of relationship prescribed under the immigration regulations.

5. It has frequently been pointed out by Government spokesmen, and it was emphasised in the Senate Committee's report (sometimes with the implication that the blame lies with the United Kingdom Ministry of Transport), that the chief difficulty in bringing displaced persons to Canada is the shortage of shipping available. The immigration authorities have been endeavouring to overcome this. Some displaced persons are being brought to Canada by air and, in September, Captain E. S. Brand, R.N. (retired), who was largely responsible for the organisation of Canada's war-time shipping services, was temporarily transferred to the Immigration Branch to co-ordinate and direct efforts to obtain increased shipping for the movement of immigrants to Canada. By mid-October some 3,500 displaced persons had already arrived in Canada and it was announced that some

<sup>(1)</sup> Not printed.



16,400 were expected by May 1948. The flow of immigrants will be accelerated early in 1948, when the *Uascaran* (renamed the *Beaverbrae*), a ship which was obtained from Germany as reparations, is to begin a three-year period of immigration service between Europe and Canada.

6. Apart from the Federal Government's efforts in respect of displaced persons, the most important activities on the immigration front in recent months have been undertaken by the Government of Ontario with their scheme for immigration by air from Britain. On his return from a visit to the United Kingdom early last summer, Mr. Drew announced the opening of an Ontario Government scheme by which it was hoped to bring by air some 7,000 workers from the United Kingdom in the ensuing months. During the summer the Ontario Government set up in the United Kingdom immigration centres at which prospective immigrants to Ontario might go through all the various formalities of immigration and, on payment of £67, be transported by air to Ontario in planes chartered for the purpose.

7. The Ontario scheme encountered a hitch to start with when it was found that the aircraft originally chartered from a United States company for the purpose could not, under the terms of Canada's Civil Aviation Agreement with the United Kingdom, put down their passengers in Canada. This difficulty was finally overcome by Trans-Canada Air Lines offering their services as a chartered carrier for the scheme. At the time, this transport difficulty gave rise to a certain amount of acrimonious controversy in the press and was used to lend colour to the impression that Mr. Drew's scheme was not looked upon with favour by the Dominion Government. The Federal authorities have made no public comment on the scheme itself, but it is undoubtedly the case that they are nervous of Mr. Drew's activities in a field in which they are responsible for policy and in which they feel that the utmost caution is required.

8. Some 3,500 Britons have so far arrived in Ontario under the scheme and the provincial Minister of Planning recently announced that it might possibly extend beyond its objective of 7,000 immigrants by the end of this year. The Minister estimated that at least 20,000 persons in the British Isles were willing to come to Ontario and he said that no major difficulty stood in the way of continuing the

scheme indefinitely. Both the successes and the failures of the scheme have, of course, been given wide publicity in the Canadian press, and the Ontario Government's opponents have made much of the complaints of disgruntled individuals who have proclaimed their intention of returning to the United Kingdom. The Ontario authorities are accused in particular of misleading prospective immigrants about the housing situation in Canada, and it seems to be the case that the housing position has been portrayed in over-optimistic terms in some of the literature being issued from Ontario House. The Ontario Government, however, have denied these charges and have made it clear that they have only undertaken to facilitate the arrival of persons who wish to settle in Ontario, and can give no guarantee that housing or employment will necessarily be available for each individual, though they try to ensure that jobs are generally available in the field in which settlers are qualified. On the whole, so far as one can judge from observation here, there does not seem to be a larger proportion of disgruntled persons under the Ontario scheme than one would normally expect in an enterprise of this kind, particularly as a number of the immigrants will no doubt have taken the decision to emigrate without due consideration and there are likely to be some amongst them "with more wishbone than backbone."

9. Recently Alberta was reported to be considering following the Ontario example by reopening the office of its agent-general in London to provide information for people wishing to come to Alberta and to attract industrial enterprise to that province.

10. The Ontario scheme has served to keep the immigration issue in the public eye, and it has been held up as an example to the Federal Government by immigration enthusiasts, who feel not only that such enterprise should be promoted but that it should be promoted on a nation-wide scale by the Federal authorities. So far as immigration from the United Kingdom is concerned, the difficulties which the United Kingdom Government would find in countenancing too great an outflow of manpower at present are generally recognised and statements like that of Mr. Calwell, the Australian Minister of Immigration and Information, who, when visiting Canada *en route* from the United Kingdom, is reported to have said that "Britain has 10 million to 15 million more people than



she can feed even in peace-time," and of Mr. G. Wadsworth, M.P., who has recently travelled the length and breadth of Canada preaching a similar doctrine, are treated with due reservation.

11. There is still, nevertheless, a general demand, particularly among English-speaking Canadians, for more initiative in immigration policy on the part of the Federal authorities, a demand which is, of course, accompanied by cautions from French-speaking Canadians that immigration must be "selective." With an eye on the balance between the two racial and religious groups in Canada, the Montreal Chamber of Commerce has recently proposed that French nationals should be put on an equal footing with the people of Britain as regards immigration to Canada. But in general throughout Canada enthusiasm for immigration has reached a high-water mark, though no doubt sentiment would soon change if there were to be any

sign of a recession or if the scale of immigration were to become unmanageable.

12. It is probable, therefore, that, when Parliament meets again next month, the Government will find itself still facing criticism that its immigration policy is insufficiently liberal to provide the labour required for the economic expansion on which the country's prosperity depends and to discharge Canada's moral obligations to the displaced persons of Europe. But for the present the shortage of shipping is the dominant factor and will provide a convenient and convincing excuse for the Federal Government to continue its cautious handling of this question.

13. I am sending copies of this despatch to the United Kingdom Ambassador in Washington and the United Kingdom High Commissioners in Canberra, Wellington and Pretoria.

I have, &c.

P. A. CLUTTERBUCK.

C.R.O. Ref. F. 2371/6

F.O. Ref. W 8741/13/68

No. 30

## CANADIAN PRIME MINISTER'S VISIT TO EUROPE

**Mr. Mackenzie King's Statement in the Canadian House of Commons on  
8th December, 1947 (Extract)**

Hon. members will have learned how deplorable conditions in France have become within the recent past, a condition which no doubt is due in part to the suffering of the people which has not yet been relieved, but which, I believe, is due in larger part to communistic influences which have been fomenting trouble and which, unless they can be checked, will help to undermine the progress and security of that nation.

I wish to be guarded in my observations. I have no desire to add anything to the alarm which now exists; but I would say that, at the present time, I imagine nothing is occasioning more concern to the people of other countries, as well as to the people of France, than the very unsettled condition in France and in one or two other countries to which, later, I may refer briefly.

Let me speak about Belgium. A visit to that country to-day would perhaps disclose conditions more prosperous than one might imagine they could be. There can be no doubt that the people of that country have made a marvellous recovery in many directions. If there were no cloud overhanging

their borders, and if they were not threatened with penetration from within by subversive forces, I believe it would be no time at all before Belgium would find herself pretty much where she was before the war.

There is this to be remembered when one observes conditions in countries like Belgium and Holland: They were occupied countries, just as France was an occupied country. For that reason they did not suffer, except in some places, to anything like the extent of a country like Great Britain, which was not occupied, and which was bombed continuously from day to day over a period of years.

At times that fact may be lost sight of. There is still, however, enough damage in cities such as Antwerp in Belgium and Rotterdam in the Netherlands to make it necessary for time to play its part in helping to restore the damage done to those countries during the war.

I would say at this point that the people of the Netherlands have reason to feel happy, as they do, that their country has recovered to the extent it has. I believe they would be the first to say, in that connexion, that they owe to Canada a debt



which they will never find it possible to pay. They have not forgotten that it was Canadian troops which freed their country from the oppressor and gave them again the opportunity to go on their way as a free people.

To one who has had the opportunity, as I have had, to visit the United Kingdom on three or four occasions since the war, the fact becomes manifest that the British people are determined as rapidly as possible to restore the damage done by war and are meeting the situation with the greatest fortitude. In outward appearance London shows improvement on each succeeding visit. The same is true of the people one meets on the street. But one must continually remember that poverty hides its head, and misery does not appear in high places. Behind these outward appearances of improvement there can be no doubt that the great mass of the people are suffering from privation and from lack of food and, like other countries, that Great Britain is being held back by lack of materials. Having regard to what the people of the United Kingdom went through during years of war, and the years which have succeeded it, any assistance that can be given to the people of the United Kingdom is something which cannot be considered too carefully.

The wedding was a bright spot in a very dark sky. For a moment it seemed to give the British public a chance to feel that old times were returning, and the people enjoyed a day of national rejoicing. May I say here what I said when leaving London, that, if there had been no cloud over the skies of Europe, I would have returned from Great Britain realising that, while there is great privation and suffering there, nevertheless the people are determined to see and would find that in the course of time they will come back to the position they occupied some years ago. But again there are menacing clouds upon the horizon. I wish to say to this House of Commons that the cloud of uncertainty that is over the world to-day is something that is—I might use this word—appalling. I do not believe it is possible to exaggerate what may come at this time or almost at any moment as a result of the conditions that exist in Europe at present.

I want to be very careful in what I say because I realise how serious the situation is, and I should not like to exaggerate its seriousness in any way. We have at the present time, as hon. members know, the Council of Foreign Ministers meeting in London. Thus far they have not been successful in getting very far toward

agreement in the making of peace with Austria or Germany. Every one is asking himself to-day when searching his own heart, "What is to happen if that effort does not meet with success at this time?"

No one can say what may happen, but there are significant words that have been used within the past few days of which I think this House of Commons should take note. They are deeply significant. It is by such phrases perhaps, that one is able to judge just how serious the situation may be. I should like to draw attention to one word of the Secretary of State for Foreign Affairs in England. This may have been noticed by some hon. members, but it may have escaped the notice of others. I should like to quote a passage that appeared in the press of 29th November, in a despatch from London as follows:—

Russian Foreign Minister V. M. Molotov challenged the United States, Great Britain and France to deny that they had plans for setting up a separate German Government in the Western Zones if the current London meeting of the Big Four fails. British Foreign Secretary Ernest Bevin replied to Molotov that he had never made such a statement but added, "if the settlement of the peace is to be blocked we can't continue with chaos. If peace is to be denied we cannot be expected to stand by inactive."

Then within the past day the Secretary of State of the United States made another significant statement. It is but one of many, but I should like to place it beside the quotation I have just given. This is a Canadian Press despatch from London dated 4th December. It reads:—

Marshall and Molotov traded direct verbal blows for the first time in the present Foreign Ministers meeting, conference officials reported.

The American State Secretary, his ire aroused by Molotov's charges that the other Powers were trying to "enslave" Austria, indirectly referred to the Marshall programme and declared Molotov was trying to wreck it.

These are the words of Secretary of State Marshall:—

"We are all aware of the real purpose of attacks of this nature," Marshall said. "It is to disrupt the great co-operative movement that is being launched for the economic recovery of Europe."

It seems to me that in those two statements hon. members have something which will enable them to get a picture of what is



happening or developing in a large way at this time. The impression seems to be that Russia is aiming at a centralised government in Germany, one government which will have control of the whole of Germany, but which, according to the views of many, would be directed from Moscow, and that if she does not succeed in getting that, in having that aim met, we may have again a long period in which no peace settlement can be made with respect to Austria and Germany.

Then there is the impression that everything is being done that can be done to foment unrest, particularly in western Europe, and to make it impossible for the Marshall plan to succeed. In other words, it is felt that this is part of the deliberate policy of communism as it is being spread throughout Europe at this time, that there must be such unrest stirred up in all countries as to make it impossible for a settlement to be reached at the present time. There seems to be little doubt in the minds of those who are close to the matter that if western Europe cannot be saved from the appalling position in which it is at the present time, if there are to continue to be millions of people with insufficient food and clothing, if there is to continue to be social unrest fomented from underground sources, the whole continent may get more or less out of hand altogether.

I do not wish to say more at the present time. I think I have said sufficient to indicate that I believe there has not been a time, except prior to the recent war, when matters were shaping in such a threatening manner as they are at the present time. While it is difficult to suggest what can be done to meet the situation, perhaps the first step in that direction is to realise that the situation is indeed a very serious one. I shall not say more on that at this time; I may have occasion later on to speak of it again.

Hon. members are, I think, well aware that the Marxist theory is that there is inevitable conflict between communism and capitalism. That is where the hopelessness, in some ways, of this situation lies. The Russians appear to believe, or at least their leaders assert, that in order to save itself capitalism will sooner or later turn upon Russia because she is the Communist centre, that therefore they must be continually protecting themselves, that therefore they must have their satellite nations serving as a curtain along their frontiers in order to protect their people. That is on the one side.

On the other side you have the belief that, because of the doctrine of the class struggle being in the minds of the Russians the only means of solving the problems of to-day, that the development of the totalitarian state is the settled objective of the Communist Party wherever it is operating throughout the world; that it is being directed from the one particular centre, and that that is a situation which it is very difficult indeed to control.

I ask hon. members to look at the world as it is at the moment. I ask them to look to Asia, where to-day there is still actual fighting. First, go to the Far East and see the condition that is threatening there. Then come to the Middle East, where the threat of war is on the horizon at the moment. Then come to countries like Greece, where you have a condition of unrest and strife that is extraordinarily difficult to control. Then take the position of France, Austria and Italy and consider the social problems they are facing and the unrest that exists in those countries. Wherever one looks, there are to-day on the horizon problems that are baffling the best minds that can be brought together to deal with them.

I hope I shall not be misunderstood if I say that our country does stand high in the eyes of other nations. We have seen the kind of thing that has taken place in the Chamber of Deputies in France within the last few days; we have seen the kind of thing that has taken place in the Assembly in Italy and in legislatures of other countries. I believe that one of the torches we can hold high in the world at this moment is to keep this parliament a model assembly, illustrating to the world how democracy can be carried on by argument and persuasion rather than by any course of procedure which may create a wrong impression without.

I believe, in my heart, that the greatest service men and women can render to-day—and this is about the only service that many individuals are in a position to render—is that of preserving an attitude of good will as far as they can toward everyone, of doing what they can to remove this ill will that is as contagious, in its way, so far as the human mind is concerned, as disease may be with regard to the human body. We are not going to solve any problem in this world to-day by any magical formula. They will be solved only if each individual does his part and each nation does its part to help to the utmost to further the common good of all by the right attitude toward all.



**(B) Newfoundland**

W 3657/2324/68

No. 31

**GOVERNMENT OF NEWFOUNDLAND***Extract from House of Lords Debates, 13th May, 1947*

*The Secretary of State for Dominion Affairs* (Viscount Addison): My Lords, I am grateful to the noble Earl for giving me the opportunity of answering this question. As your Lordships will be aware, a National Convention elected by the people of Newfoundland have been meeting in that island since last September. The Convention was constituted to consider the financial and economic situation of the island and, in the light of this, to make recommendations to His Majesty's Government in the United Kingdom as to the possible forms of future government to be put before the people of Newfoundland at a national referendum at which they would vote for the form they preferred. At the end of February, the Convention passed a resolution asking the United Kingdom Government to receive a delegation from the Convention to make enquiries as to the financial and fiscal relationship between the United Kingdom and Newfoundland which might be expected in the event of the people of Newfoundland deciding either upon continuation of commission government or restoration of responsible government or some other form of government. I readily agreed to this proposal and a delegation consisting of the chairman and six other members of the Convention recently came to London.

We have held three meetings, at which I have answered specific questions which have been put to me. I was accompanied at these meetings by the Governor of Newfoundland (Sir Gordon Macdonald) and the Commissioner for Justice and Defence (Mr. A. J. Walsh). I indicated to the delegation that it is the desire of the United Kingdom Government that the same close and friendly relationships should exist between the two countries as have always existed. On the financial side, I said it would always be our desire to help Newfoundland within our means; but I also thought it right to make clear, as I explained in your Lordships' House on 11th December, 1945, that the special difficulties of our financial position must preclude us from undertaking commitments which might be beyond our power. Your

Lordships are well aware of the immense problems which beset us to-day in the financial field—problems, indeed, which are greater than was expected at the time I made that statement.

I was therefore unable to hold out any hope, in response to a direct enquiry by the delegation, that the United Kingdom Government could consider taking over from Newfoundland liability for the public loan of about £17,800,000, which the United Kingdom Government guaranteed in connexion with the establishment of the Commission of Government in 1934. We shall, of course, continue our guarantee, and I indicated that we are prepared to proceed, at the earliest possible date, in agreement with the Newfoundland Government, with a conversion operation which would reduce the interest payments from the Newfoundland Exchequer. Moreover, in the present financial circumstances, I felt bound to say that the United Kingdom Government could not give such firm assurances as the delegation sought that we should continue to purchase from Newfoundland large quantities of such commodities as frozen fish and iron ore. We recognise the importance of the industries concerned to the island's economy, and I assured the delegation that we should continue to strive to do our best to assist, but that it must be remembered that Newfoundland has a dollar currency, and our measure of assistance must depend upon our general dollar position.

I need not trouble your Lordships with further details of the meetings. Nearly all the questions raised with me by the delegation had, in fact, been under careful consideration for some time, having already been raised with me by the Commission of Government. As to the more general financial questions of the future, I told the delegation that, if the people of Newfoundland, by their referendum, decide in favour of the continuation of commission government for a further period, the United Kingdom Government would continue to be responsible for Newfoundland's financial stability. If, on the other hand, the people decided for responsible govern-



ment, this would mean that full responsibility for Newfoundland's finances must rest with the Newfoundland Government and people, and that the responsibilities undertaken by the United Kingdom Government in 1934 would cease. I am sure that the talks which I have had with the delegates have been useful, and I hope

that the people of Newfoundland will, at the forthcoming referendum, choose the form of government best suited to the interests of their country.

*Earl Fortescue:* I am very grateful to the noble Viscount for his reply.

W 6136/13/68

No. 32

# **NEWFOUNDLAND: CANADIAN HOUSE OF COMMONS DEBATES, MONDAY, 23rd JUNE, 1947**

*(Communicated in Ottawa Despatch No. 185 of 25th June; Received in*

*Dominions Office, 30th June)*

[Extract from Official Report]

## **Delegation to consider Basis for Federal Union with Canada**

*Right Hon. W. L. Mackenzie King* (Prime Minister): Mr. Speaker, as hon. Members are aware, the people of Newfoundland some months ago elected a National Convention for the purpose of making recommendations to the Government of the United Kingdom as to possible forms of the future government of Newfoundland. Subsequently the question of the form of government to be adopted is to be placed before the people of Newfoundland in a referendum.

As announced in this House on 2nd April last by my colleague, the Secretary of State for External Affairs (Mr. St. Laurent), the Government of Canada has agreed to receive a delegation from the Newfoundland Convention to consider and discuss whether there is, in the opinion of all concerned, a fair and equitable basis for federal union of Newfoundland with Canada. Arrangements have now been made to begin discussions on Wednesday, 25th June. The delegation will arrive in Ottawa to-morrow. We are happy to have the opportunity of welcoming the delegation on that day since 24th June is being observed this year as the 450th anniversary of the discovery of the island.

It will be recalled that, following the disastrous economic collapse in 1929-30, Newfoundland encountered serious financial difficulties. In 1933, with the approval of the Government and Legislature of Newfoundland, a Royal commission was appointed by the United Kingdom Government to enquire into the situation. The commission recommended that responsible

government should be suspended and legislative and executive authority be vested in an appointed commission, responsible to the United Kingdom Government, until such time as the island should again become self-supporting. It was also recommended that meanwhile the United Kingdom should assume financial responsibility for the government of the island. These recommendations were approved by the Newfoundland Legislature and by the United Kingdom Parliament. The Newfoundland Constitution was accordingly suspended and a commission of government was appointed by the United Kingdom Government and assumed office in 1934.

Shortly after the commission was established most of the Newfoundland debt, which in 1934 stood at about \$100 million, with relatively high interest rates, was converted to a sterling issue at 3 per cent. guaranteed by the United Kingdom as to principal and interest. The United Kingdom also advanced considerable sums for developmental purposes, and up to 1939 met budget deficits totalling over \$16 million.

Beginning in 1941, Newfoundland experienced a remarkable recovery. This was due in part to the heavy defence expenditures in Newfoundland and Labrador by Canada and the United States, and in part to the rise in prices of Newfoundland's principal exports, fish and newsprint. Since 1941 Newfoundland has had an annual surplus now amounting to about \$29 million. In addition, Newfoundland's debt has been reduced to about \$74 million; the public services have been expanded and improved. Revenues, which in 1939 were just over \$12 million, reached \$37 million in 1946.



In December 1945 the Secretary of State for Dominion Affairs of the United Kingdom announced that in order "to enable the people of Newfoundland to come to a free and informed decision . . . on their future form of government" a National Convention would be elected in Newfoundland in the spring of 1946. The terms of reference of the Convention are as follows:—

To consider and discuss among themselves, as elected representatives of the Newfoundland people, the changes that have taken place in the financial and economic situation of the island since 1934, and, bearing in mind the extent to which the high revenues of recent years have been due to war-time conditions, to examine the position of the country and to make recommendations to His Majesty's Government as to possible forms of future government to be put before the people at a national referendum.

It will be seen from the terms of reference that the Convention does not itself have authority to decide Newfoundland's future form of government. The Convention is empowered merely to make recommendations to the United Kingdom Government as to possible forms of future government. It is conceivable that the Convention may recommend one form, or alternative forms. In any event, whatever form or forms of government are recommended, the decision as to its acceptance is to be left to the people of Newfoundland themselves.

The Convention, except for short periods of adjournment, has now been meeting continuously since September last. With a view to reaching an informed opinion on Newfoundland's economic and financial position, the Convention has completed exhaustive enquiries into various phases of Newfoundland's economy and its progress under the commission of government. The Convention has come now to the second stage of its enquiry, namely, a consideration of Newfoundland's constitutional future. In May of the present year a delegation from the Convention visited the United Kingdom to seek information concerning the financial and fiscal arrangements which might be expected to exist between the United Kingdom and Newfoundland under alternative forms of future government. That delegation has reported to the Convention.

The delegation, which will arrive in Ottawa to-morrow, will consist of Hon. F. G. Bradley, K.C., who led the delegation to London, and six other members of the Convention. The six other members of the delegation to Ottawa were not members of the London delegation. They are Mr. J. R. Smallwood, secretary of the delegation; Mr. T. G. W. Ashbourne, Mr. C. H. Ballam, Rev. L. Burry, Mr. P. W. Crummey and Mr. G. F. Higgins, K.C.

I have asked the following members of the Government to act as a committee to meet with the delegation from Newfoundland: the Secretary of State for External Affairs, the Minister of Justice, the Minister of Reconstruction and Supply, the Minister of National Defence, the Minister of Finance, the Minister of National Revenue, the Minister of Fisheries and the leader of the Government in the Senate.

An atmosphere of mutual friendliness and understanding will, I am sure, characterise the forthcoming discussions. The peoples of Canada and of Newfoundland are closely associated through strong and enduring ties. We owe a common allegiance to the Crown and have a common heritage of British political and legal institutions. We have many close personal, professional and commercial associations. We are neighbours in a North American environment. We face many common problems. We have memories of dangers shared and victories won together. These associations afford a broad basis for full and frank discussion of many of the considerations of which, in the event of union, account would have to be taken by both countries.

The Newfoundland delegates, having, with their colleagues in the Convention, studied intensively the problems and prospects of Newfoundland, will be able to throw much light on the questions to be explored. They will have an opportunity to learn at first hand about the working of the Canadian federal system and will thus be in a better position to advise their colleagues on what would be involved for their country in the event of union. As a result of the discussions the Canadian people also will be in a better position to appreciate what would be involved for Canada were Newfoundland to become a province. The Newfoundland delegation will report their views of the situation to the National Convention. It will remain for the Convention to recommend to the Government of the United Kingdom whether the question of union with Canada



should be referred to the people of Newfoundland for a decision.

The question of Newfoundland's future form of government is, of course, one for the people of Newfoundland themselves to decide. It is not a matter in which either the people of Canada or the Government of Canada would wish to interfere. Should the question become a matter of referendum, whatever the decision might be, it would be received by the Government and

people of Canada with understanding and goodwill.

On the part of Canada no final decision would, of course, be taken without the approval of Parliament. Section 146 of the British North America Act makes provision for procedure in the event of the admission of Newfoundland to the union. So far as Canada is concerned, the action provided for in this section is an address by both Houses of Parliament.

C.R.O. ref. N 2005/43

F.O. ref. W 148/148/68

No. 33

## NEWFOUNDLAND AND CONFEDERATION WITH CANADA

### Canadian Government's Offer

*Sir A. Clutterbuck to Mr. Noel-Baker. (Received in Commonwealth Relations Office 18th November)*

(No. 285)

Ottawa,

Sir,

7th November, 1947

I have had the honour to address you in separate communications about the discussions between the Canadian Government and the delegates of the Newfoundland National Convention who were charged to ascertain, as one of alternative courses which the Convention is exploring, what basis might exist for the entry of Newfoundland into the Canadian Confederation. Now that the Newfoundland delegation have returned and the Canadian Government's reply to the Delegation's enquiries has been communicated to the Convention and published, it may be convenient to summarise the developments briefly in a single report.

2. It may be recalled that it was contemplated at the time of Confederation eighty years ago that Newfoundland would wish to become one of the Provinces of the new Dominion and that legal provision for this was contained in the British North America Act of 1867. However, at a general election in 1869, the people of Newfoundland decisively rejected the idea. Subsequently, in the 1890's, at a time of financial crisis in the Island, there were renewed negotiations as to the possibility of Newfoundland entering Confederation but these, when a settlement was in sight, finally broke down on the issue of liability for Newfoundland's public debt. The possibility of political union with Canada was again explored, at a time of renewed financial crisis, by the Newfoundland Royal Commission of 1933, but the Commission regretfully concluded that public

opinion in neither country was at that time prepared for such a course. In more recent times Canadian opinion has become more sympathetic on this issue. There has been no attempt to influence the people of Newfoundland in the choice that now lies before them, but Mr. Mackenzie King has made it clear on several occasions during the last two years that, if when they come to consider their future the people should clearly show their desire to join with Canada, Canada would be glad to welcome them.

3. It was natural, therefore, that the question of union with Canada should, from the outset, be considered as one of the possibilities to be explored by the Newfoundland National Convention which was set up to recommend alternative courses as to Newfoundland's future to be decided by a national referendum. Following on their decision to send a delegation to London, the Convention therefore resolved last March also to send a delegation to Ottawa "to ascertain from the Government of Canada what fair and equitable basis may exist for Federal union of Newfoundland and Canada." The Canadian Government indicated that they would be happy to receive such a delegation and went on to express the view that the questions to be discussed were of such complexity and of such significance for both countries that it would be essential to have a complete and comprehensive exchange of information and a full and careful exploration by both parties of all the issues involved so that an accurate appreciation of the position might be



gained on each side. The Canadian Government added that they were confident that the friendship and co-operation between the two countries would provide a firm basis for the discussions.

4. A delegation consisting of Mr. Bradley, the Chairman of the Convention, and six other members was accordingly appointed and they arrived in Ottawa at the end of June.

5. The proceedings got off to a good start with a very successful Government dinner which was given to the delegation on the evening of their arrival. The Prime Minister himself presided and others present included the Canadian Cabinet Ministers concerned, all the Commonwealth High Commissioners in Ottawa and the Leaders of the three Opposition parties. Mr. Mackenzie King was in extremely happy vein in moving the toast of Newfoundland and Mr. Bradley made an excellent speech in reply which greatly impressed the Canadians.

6. The official opening of the talks took place at a public session on the 25th June, presided over by the Prime Minister, which afforded an opportunity for formal introductory speeches. These were properly non-committal on the main issue but were couched in terms of great cordiality and friendliness.

7. The remainder of the proceedings, which were to occupy three months in all, were held in private. During the earlier meetings the two delegations exchanged documents which each had prepared in advance, and the Canadian team answered a number of questions raised by the Newfoundland delegation. A number of sub-committees were also set up to investigate particular questions. The discussions went into all matters very fully and thoroughly and good progress was made. Some difficulty was naturally encountered owing to the fact that the Delegation was empowered only to seek information and had neither the authority, nor indeed the qualifications, to enter into negotiations with the Canadian Government. This difficulty would no doubt have been felt more acutely if the Canadian Government had adopted a less forthcoming attitude; as matters turned out, however, it cannot be said that the interests of Newfoundland suffered in any way on this account.

8. There was, however, one hitch in the time-table which had the effect of prolonging the discussions unduly and somewhat upsetting the programme. Mr. Bridges, the Minister of Fisheries and New Brunswick's representative in the Federal Cabinet, who had taken a prominent part

in the discussions, died suddenly at the end of August. He was succeeded as Minister by Mr. Gregg who also comes from New Brunswick, and who, as he was not a Member of Parliament already, was immediately nominated by the Liberal Party to contest his predecessor's seat. The Canadian Government were very anxious that an elected representative of all the Provinces should be associated with any Cabinet decision on the terms to be offered to Newfoundland. They felt that this was right in principle and they were also anxious to counter the arguments which had been put forward by some of the Provincial Governments as to the need for consulting the Provinces by pointing out that the interests of the individual Provinces had been looked after by their spokesmen in the Cabinet. No doubt also the Liberal Government, who set great store on winning the New Brunswick by-election, were anxious that their chances should not be affected adversely by any controversy over the offer to Newfoundland. At all events, the New Brunswick by-election was not due to be held until the 20th October and the Canadian Government made it clear that they could not reach a final decision until after that date.

9. This placed the Newfoundland delegation in something of a quandary and made it impossible for them to return at any early date with the actual "terms" which Canada was prepared to offer. During August there was an unhappy period of some embarrassment and uncertainty, but eventually it was arranged that the Newfoundland delegation should return home with a full documentation on the actual discussions which they could present to the National Convention, on the understanding that the reply of the Canadian Government to their enquiries would be communicated at a later date. The delegation accordingly left Ottawa on the 30th September.

10. Fortunately the new Minister of Fisheries won the New Brunswick by-election by a handsome majority and the way became clear for the Cabinet to consider their offer of terms. They did this with some promptitude and their reply was forwarded to the Governor and communicated by him to the National Convention on the 6th November.

11. The main heads of the Canadian reply are summarised briefly in the enclosed memorandum. In sum the terms proposed amount to an exceptionally generous offer, which far exceeds any



expectations previously entertained. Full allowance is made for Newfoundland's special financial and economic circumstances, and it is recognised that a period of years would be needed to enable her to readjust herself to the Canadian economy. Hence the terms provide not merely for the extension to her of all the benefits accruing to a Canadian Province but for treatment over a period ahead more favourable than that accorded to any other Province. It has always been recognised that the crux of the question would be the financial settlement and on this the Canadian authorities could hardly have gone further; the terms provide for the Canadian Government to take over not merely a portion but the whole of Newfoundland's sterling debt, for the taking over by Canada of her costly railway and steamship services, for the retention by Newfoundland of her existing surplus balances, for the grant to her of subsidies comparable to those payable to other Provinces, and in addition for a special transitional grant which would assure her of financial security during the period of readjustment. This grant amounts to \$3,500,000 for the first three years and diminishes over a period of twelve years. Provision, however, is made for a re-assessment of Newfoundland's financial position by a Royal Commission within a period of eight years.

12. Hitherto it has generally been thought that while the cause of Confederation has recently gained ground in Newfoundland, the chances of a majority opinion in favour of union with Canada were not very promising. But the generosity of the Canadian offer and the prospect of financial security which it holds out may well have marked effect, and the promise of the full enjoyment of social security benefits on a standard unattainable by Newfoundland on her own—including family allowances, unemployment insurance, higher old age pensions and increased benefits to ex-servicemen—may alone have a wide appeal. Moreover, the entry, free of tariff, of Canadian goods into Newfoundland would have a powerful effect in reducing the cost of living, the continued rise of which is now pressing so heavily on all classes of the population. As against this, Newfoundlanders would of course become subject to Canadian rates of taxation. It is calculated that on the basis of the terms proposed the net cost to Canada of taking over Newfoundland would be some \$15 million a year, a figure which would no doubt be increased should

any trade depression occur. It has indeed always been recognised that Newfoundland would in the early days of Confederation at least, be a serious financial liability. But there would be cogent political, strategic and economic advantages in Newfoundland being included in the Canadian orbit and Canadians generally have become increasingly conscious of this. In drawing up their terms the Canadian Government made it their guiding principle, notwithstanding possible criticism from some of the Provinces, to err always on the side of generosity, and the offer now made should ensure that, whatever the ultimate decision in Newfoundland, the people of Canada will at least have no cause to reproach themselves for any failure on their part to extend to their sensitive friends and neighbours the most open-handed and open-hearted of welcomes.

I have &c.,

P. A. CLUTTERBUCK

Enclosure in No. 33

*Summary of Proposed Arrangements for the Entry of Newfoundland into Confederation*

1. Newfoundland will have the status of a province of Canada.
2. The Province of Newfoundland will include the territory of Labrador.

*Public Services Provided by Canada*

3. The public services, including welfare services, provided by the Federal Government for the people of Canada generally will be extended to the people of Newfoundland.
4. Canada will take over certain specified public services of Newfoundland including the railway, postal and telegraph services; the public broadcasting system; civil aviation, including Gander airport; customs and excise; defence; protection and encouragement of fisheries; certain welfare services, etc.
5. Canada will pay the salary of the Lieutenant-Governor and judges.

*Financial Arrangements*

6. Canada will assume Newfoundland's sterling debt (\$71,911,454). Newfoundland will continue to be liable for the remaining portion of her debt (\$10,465,593).
7. Certain specified Newfoundland public works and property will become the property of Canada when the services concerned are taken over as provided in paragraph 4 above.



8. Newfoundland will retain its financial surplus accumulated to the time of union for purposes of internal development.

9. Newfoundland will retain its interest in public loans made by its Government before the union.

10. Canada will pay to Newfoundland the following statutory subsidies:—

(i) \$180,000 and 80 cents per head of the population annually, subject to increases to conform to the scale of grants authorised by the British North American Acts.

(ii) \$1,100,000 annually.

11. Newfoundland will be entitled to enter a tax agreement for rental to the Federal Government of the income tax, corporation tax, and succession duty fields.

12. During the first twelve years of union Canada will pay to Newfoundland a Transitional Grant beginning with \$3,500,000 annually for the first three years and diminishing annually thereafter.

13. The Government of Canada will appoint a Royal Commission within eight years of the union to review Newfoundland's financial position and to recommend

the form and scale of additional financial assistance.

#### *Representation*

14. Newfoundland's representation in the Senate and the House of Commons will be in accordance with the British North America Acts, i.e., six members in the Senate and, on the basis of present population, seven members in the House of Commons.

#### *Miscellaneous Provisions*

15. In addition to the provisions in paragraphs 1 to 14 above, the Canadian Government will give certain undertakings regarding other aspects of the proposed union and including the transport services to and within Newfoundland; the education system of Newfoundland; the transfer of Newfoundland civil servants to the Federal Service; the maintenance in Newfoundland of appropriate reserve units of the Canadian Defence forces; the exclusion of Newfoundland from regulations applying to the rest of Canada forbidding the manufacture of oleomargarine; and the assistance of the Canadian authorities in surveying the economic and natural resources of Newfoundland.

C.R.O. Ref. N 2005/43

F.O. Ref. W 148/148/68

No. 34

## **NEWFOUNDLAND AND CONFEDERATION WITH CANADA**

### **Canadian Public Opinion on the Offer**

*Sir A. Clutterbuck to Mr. Noel-Baker. (Received in Commonwealth Relations Office 8th December)*

(No. 302)

Ottawa,

Sir,

2nd December, 1947

With reference to my despatch No. 285 of the 7th November, I have the honour to report that, since their publication, the terms on which the Canadian Government would be prepared to admit Newfoundland into Confederation have been the subject of wide and for the most part favourable discussion in Canada. Editorials on the subject have appeared in most Canadian papers and I enclose a representative selection<sup>(1)</sup> of these. Although they make some minor criticisms of individual proposals, most commentators have said that the people of Canada would welcome the admission of the people of Newfoundland into Confederation but are careful to emphasise that, having made their offer, they would now wish to leave the matter

entirely to the decision of Newfoundland, free from outside pressure of any kind.

2. The only sharp criticism of the Government's proposals has come from the Premier of Quebec. Mr. Duplessis, ever jealous for the "rights" of Quebec and the French-speaking minority, has asserted that the Federal Government, in failing to consult the Provinces, and particularly Quebec, about their proposals, have acted not only with discourtesy but also with "anti-Canadian arrogance." To this Mr. St. Laurent has firmly retorted that the Federal Government are in no way responsible to the Provincial Governments in this matter and that the British North America Act provides for the entry of Newfoundland into Confederation without consultation with the Provinces.

<sup>(1)</sup> Not printed.



3. Commenting on the individual proposals Mr. Duplessis has complained that the suggested arrangements for Newfoundland's representation in the House of Commons and the Senate would reduce the relative strength of Quebec representation in both Houses, which was originally fixed and guaranteed by the British North America Act. In fact, so far as Quebec was concerned, "the pass was sold" with the passage of the Redistribution Act in 1946, which provided for increase in the number of representatives in Parliament in proportion to increases in population. At the time, the Act was made more acceptable than it would otherwise have been in that under the new arrangements Quebec started off in a stronger relative position than before. The addition of seven Newfoundland members, however, strictly in accordance with the principle of the Redistribution Act of 1946, would reduce the proportion of Quebec members in the House by about 1%. Mr. Duplessis has no valid legal or constitutional ground for complaint on this score but the point touches Quebec's traditional jealousies and more may be heard of it if Newfoundland agrees to enter the Confederation.

4. Another factor influencing Quebec opinion on this question is the position with regard to Labrador. There has still subsisted a hope that Labrador, so obviously linked by geography to Quebec, might yet be politically included in the Province, and this ambition has, of course, been greatly strengthened by proof of the existence of rich mineral deposits there. The people of Quebec have never really accepted the validity of the Privy Council ruling of 1927 which assured Labrador to Newfoundland instead of to Quebec, and they feel that the inclusion of Newfoundland in Confederation will put the seal of Canadian approval once and for all on this judgment. In any event, Mr. Duplessis states that it is intolerable that the Federal Government should offer terms to Newfoundland without first consulting the

Government of Quebec about Labrador in which, if for geographical reasons alone, they are obviously so closely concerned.

5. Mr. Duplessis has also attacked the generosity of the Canadian Government's offer on the grounds that this is the worst possible time to make greater impositions on the Canadian taxpayer. "It would be, to our way of thinking," he said, "more opportune to do justice to the legitimate claims of the Maritime Provinces rather than to impose upon the Canadian population, and the Maritime Provinces in particular, additional burdens." On the whole Mr. Duplessis has received surprisingly little support for these complaints from the Quebec press which has been unusually moderate in its comments. Although it agrees with Mr. Duplessis in some of his strictures, it has for the most part taken a line similar to that of the English language press on the question of finance, drawing attention to the fact that the terms offered are generous, but refraining from criticism on this score.

6. It is fair to say that Canadians as a whole do not fail to realise that the considerations which must be taken into account in assessing the desirability of receiving Newfoundland within the Confederation go beyond the purely economic field. It is, for example, apparent to everyone that it is desirable for reasons of strategy, and logical for reasons of geography, that Newfoundland should ultimately form part of the Canadian Confederation. Commentators do not, of course, ignore the fact that there are certain material benefits which Canada would stand to gain. There is, indeed, much speculation about the richness of the Labrador mineral deposits. It seems, however, to be generally recognised in Canada that it is an act of far-sighted statesmanship to be open-handed with Newfoundland at this time, and that the situation does not call for a strict weighing of immediate advantages.

I have &c.

P. A. CLUTTERBUCK



## CHAPTER III.—NEW ZEALAND

W 6106/377/68

No. 35

NEW ZEALAND: PROPOSED ABOLITION OF THE  
LEGISLATIVE COUNCIL*Mr. Costar to Viscount Addison. (Received in Commonwealth Relations  
Office 18th August)*

(No. 210)

Wellington,

My Lord,

11th August, 1947

I have the honour to refer to paragraph 6 of my Saving telegram No. 80 of 4th August, in which it was stated that the leader of the Opposition, Mr. Holland, had announced his intention of introducing into the House of Representatives a Bill for the abolition of the Legislative Council.

2. As stated in my telegram under reference, the abolition of the Legislative Council was a plank in the National Party's general election platform, and Mr. Holland was also able to allege that it had been a plank in the Labour Party's platform before they came into power; one which they had conveniently forgotten thereafter. When opening the debate on the second reading of the Bill Mr. Holland claimed that the basis of appointments to the Legislative Council for the last fifteen or sixteen years has been in the nature of acknowledgment or reward to people who have served the party in power at that time. They have not been selected from the point of view of being a revisory chamber. To-day the council was nothing more or less than "an ineffective and costly farce." He estimated the cost to the country of a Legislative Council as between £20,000 and £25,000 a year. He claimed that the present council had thirty Labour supporters and six or seven members of independent opinion. An absurdity might arise if the present Government were defeated at the next general election, in which case the new Government would find itself faced with a hostile Legislative Council which, however, would not dare to oppose the will of the people. None the less, Mr. Holland has been criticised in the press, which is almost exclusively a supporter of the National Party, on the grounds that he is proposing to scrap a valuable part of the machinery of Government simply because his political opponents have misused it.

3. Mr. Holland's move was no doubt designed to embarrass the Government, and the Prime Minister has countered it in kind. During the debate on the second

reading of the Bill, the Attorney-General expressed doubt whether the New Zealand General Assembly had power to alter the Constitution of the Legislature and recommended reference to the United Kingdom Government before doing so. Thereupon the Prime Minister moved an amendment that "prior to any change being made in the Constitution of the Legislature the Statute of Westminster be extended to this Dominion, and that a Bill to adopt the Statute be introduced during the present session of Parliament; and that meanwhile consideration be given to the desirability of making the House of Representatives the sole legislative chamber." For this purpose he proposed that a Committee of the House should be set up to report on this matter, and alternatively on the desirability or otherwise of establishing a revising body for legislation passed by the House of Representatives and on any amendments to the procedure of Parliament which may become necessary thereupon. This move by Mr. Fraser was particularly astute in that he could, if necessary, carry his amendment, thereby rendering the Bill unpalatable to the Imperialist-minded members of the National Party, and avoiding his being forced to choose between the alternatives of voting to retain the Legislative Council and having to agree to its abolition. The move was the more ingenious in that it was also irrelevant. Mr. Fraser himself admitted that ratification of the Statute of Westminster would not confer on the New Zealand General Assembly any powers to change the Constitution which they did not already possess. In introducing his amendment Mr. Fraser claimed, truthfully enough, that the attack of the Opposition on the Legislative Council was directed at the Labour members of the Upper House and not at the institution in itself. The debate was adjourned, and a date for its renewal has not yet been fixed.

I have, &amp;c.

N. E. COSTAR,

*Acting High Commissioner.*



# **POLITICAL SITUATION IN NEW ZEALAND**

*Mr. Costar to Mr. Noel-Baker. (Received in Commonwealth Relations Office  
25th November)*

(No. 309)

(Extracts)

Wellington,  
17th November, 1947

Sir,  
I have the honour to inform you that the most significant developments in the political situation in New Zealand since the results were declared in December 1946 of the last General Election have been not so much in the sphere of relations between the Government and the Opposition as in the mutual relations of the Government, certain trade unions whose leaders have not always seen eye to eye with the Government, and the Federation of Labour, in which the majority has now favoured the Government, now the militant unions, and whose weight, if strongly thrown into one side of the scale, has proved decisive.

2. The results of the General Election showed that the Labour Party and the National Party had each secured precisely half of the number of European seats, and that the Labour Party depended for its majority in the House of Representatives upon its retention of the four Maori seats. The question which then posed itself in New Zealand was whether this evidence of further decline in the electoral popularity of the Labour Party would lead to that party adopting a still more moderate policy designed to conciliate the middle income groups and to retain as large a proportion as possible of the intermediate or floating vote which in New Zealand determines the results of elections. The aim of this policy would be to conserve the social gains of the past twelve years by remaining in power, rather than to risk losing power by attempting further progress in a more and more Socialist direction. The possible alternative policy was that advocated by the extreme elements in the Labour Party, namely that the party was likely in any case to be defeated at the next election if not earlier, that the only possible way to avoid this was by a vigorous forward policy to prove that the party still had life and a positive programme, and that even if this did not save the party at the next election they would at least have the advantage of making hay whilst the sun still shone. In the upshot the Labour movement, taken as a whole, has found it difficult to make up its mind between these two possible but mutually exclusive policies, and the country has in

the past year witnessed a struggle between these two views to secure control in the trade unions, the Federation of Labour and the Labour Party.

3. Of the two policies outlined, the Government have consistently advocated that which may be described as moderate and statesmanlike or cowardly and uninspired according to the point of view. In this the lead has been taken by Mr. Fraser and Mr. Nash, supported by the Minister of Labour, Mines, Employment and Immigration, Mr. McLagan, who was, before entering the Cabinet two years ago, president of the Federation of Labour, and is looked upon as the representative in the Government of the "Industrial Movement" in general and the federation in particular. The leaders of certain trade unions, notably the key Waterside Workers' Union, have, however, strongly advocated the forward and active policy. The leaders of the Waterside Workers' Union, Mr. Barnes and Mr. Hill, are both reputed Communists, and certainly the Government's mute appeal, which may be summarised as "don't push us too far or we shall alienate the middle-of-the-roaders and lose the next election," appears to have had no influence over them. (The ever-present importance of this argument will be realised when it is considered that the Government has only to lose two by-elections to find itself, after providing the Speaker, in a minority in the House.) Indeed, the policy of Mr. Barnes and Mr. Hill seems to be quite frankly that of pushing the claim of the union which they represent for a larger share of the cake of New Zealand's national income by pressing wage and other demands in season and out of season and not hesitating to enforce them if necessary by threat of withdrawal or by actual withdrawal of their labour.

\* \* \* \*

10. Largely as a result of the partial strike by the watersiders in December 1946 and January 1947, described above, of a coal strike in the Waikato in March 1947 and of a further partial strike of watersiders at the port of Auckland in July and August 1947 in connexion with the removal of dunnage from ships, which resulted in further serious delays in the loading of



overseas shipping, the Government at the end of July tabled in the House of Representatives a Bill called the Industrial Conciliation and Arbitration Amendment Bill, 1947, which provided, *inter alia*, for compulsory secret ballots among members of workers' unions before strike decisions were made, with a similar stipulation covering lock-outs by employers' unions. Penalties up to £20 for a member of a union which participated in a strike and up to £1,000 for a member of a union involved in a lock-out where no secret ballot had been held or a secret ballot had resulted in a majority against the strike or lock-out were included.

11. This proposed legislation met with a storm of protest from many trade unions in the country, although others passed resolutions in support of it as being essentially fair and democratic, an insurance of State and community against minority action. The council of the New Zealand Federation of Labour, however, was reported as having unanimously protested against it and as having sent a deputation to the Prime Minister and Minister of Labour to inform him of its views. The reason publicly given by the federation for its attitude was that the legislation constituted a threat to the traditional rights of the trade unions, not so much because of the secret ballot provision itself, but because the Government had impliedly issued a challenge to the industrial labour movement. The Prime Minister was reported to have declared that the Government would neither modify nor withdraw the legislation. The Government would govern. It would never be said that it failed to assert its authority. In the upshot, about a month later, the Government themselves brought forward amendments to the Bill which completely redrafted and considerably modified the provisions regarding the compulsory secret ballot. The new draft maintained the provision that no strike or lock-out should take place without a previous secret ballot and further provided that if a strike or lock-out did take place without a secret ballot having been held the Registrar of Industrial Unions might conduct such a secret ballot himself. The penalties provided in the first draft for taking part in a strike or lock-out except after a secret ballot which had produced a majority for the strike or lock-out were, however, deleted, and the only penalty provided in the revised draft was that any person who refused to co-operate with the registrar in the holding of the secret ballot should be liable to a fine of £20 and in the case of a

continuing offence to a further fine of £5 for every day.

\* \* \* \*

13. The background to the Industrial Conciliation and Arbitration Amendment Act provision for a secret ballot has been sketched above. It is, of course, a blow aimed by the Government and the moderate section of the industrial movement at sharp practice by the extremers section. The complaint usually heard is that the extremists, though definitely in the minority amongst trade unionists, are, whether of their own volition or acting under instructions from elsewhere, much more determined than the moderates. Their technique, it is alleged, has been to turn up in full force at trade union meetings and to spin out discussions to such an inordinate length that the ordinary workman gets tired and goes home for his tea. When, counting the heads of known supporters, the extremists see that they are in a majority, they have the question put and so first achieve election into official positions in the union and later carry their views in union resolutions on policy. The secret ballot provision will in future prevent moderate workmen from being intimidated by militant extremists at union meetings into voting for strike action contrary to their real belief, as it is alleged often happens under the usual show of hands method of voting. The terms of the new legislation provide that the secret ballot to be held before strikes "shall be held in the manner prescribed by regulations made under the Industrial Conciliation and Arbitration Act, 1925, or, if there are no such regulations, then either in the manner prescribed by the rules of the union, or, where there are no such rules, in such manner as shall ensure the secrecy of the ballot." Clearly much will depend upon whether regulations are in fact issued prescribing the manner for holding secret ballots, and, if so, what they contain. It is, however, perhaps unlikely that they will contain provisions compelling unions to conduct their secret ballots otherwise than in accord with the normal union rules for taking secret ballots, *i.e.*, the ballot will not necessarily include all persons affected by the union decision, and may be taken only from those persons who happen to survive to the end of a protracted meeting.

\* \* \* \*

15. It remains to consider the effect of the publicly-aired disagreements between Ministers and the Waterside Workers' Union leaders on the internal situation of the Labour Party in New Zealand and on



the Labour Party's position in the country. For publicly aired the disagreements certainly have been. To take only one example, speaking at the Labour Party Conference in June, the Prime Minister, Mr. Fraser, strongly attacked the Communist Party for "disruptive tactics by a small number, designed to advance some sort of a Communist revolution" and said that they themselves admitted that their action was political and not industrial. "Why do these people, the Communists, polling a few hundred votes, try to create discontent and a resort to direct action? It is because they don't belong to the New Zealand Labour Movement." No doubt as a result of this forthright attack, the Waterside Workers' Union delegates alone of the delegates to the Labour Party Conference voted against the motion of confidence in the Prime Minister moved at the conference. This vote in itself, however, shows that inside his own party Mr. Fraser's supremacy remains unchallenged except by the recognised Communist Waterside Workers' Union. Earlier in the same month, the annual elections had been held for executive positions in the New Zealand Federation of Labour, which, as shown above, occupies a key position between the Government and the militant unions. These resulted in only one important change. But though this result must, on the whole, be regarded as favourable to the Government, the one change was significant of the tendency of the Federation to backslide on the Government's price and wage stabilisation policy, which will have been apparent from what has been said above. For Mr. F. P. Walsh was defeated by one vote for the post of vice-president and Mr. Walsh more than any trade union leader in New Zealand is associated with the Government's stabilisation policy, and indeed is chairman of the Stabilisation Commission.

16. But if, on the whole, Ministers have maintained their position and prestige in their own party, the unedifying spectacle of open division within the Labour Movement, the feeling that the movement has not made up its mind which of the two possible policies enunciated at the beginning of this despatch to follow, and, above all, the growing belief that the Government often has to yield its own high principles of policy to the coercive expediency of threats of direct action from the Waterside Workers' Union or the Miners' Union, all these things have contributed to such further decline in the Government's popularity in the country as has occurred during the year. The Opposition themselves continue to fail to make the

most of the many chances for attacking the Government gratuitously offered them by the watersiders, but even with the Opposition's own active co-operation, the evidence of by-elections seems to show that some small further decline in the Government's popularity has occurred, and it will be appropriate to conclude this despatch with a brief analysis of that evidence.

17. As was reported from this post at the time, a remarkable feature of the results of the New Zealand General Election at the end of last year was the evenness of the division of the European vote between the two parties. Out of a total of 1,010,778 European votes cast, the Government received a majority of only 18,590 votes. A very slight percentage turnover at the next General Election would mean that the Government would lose its majority. Since the General Election there have been only two by-elections, both in safe Labour seats. (A third is pending, also in a safe Labour seat.) In the first of these two by-elections the Labour Party received 66.1 per cent. of the votes cast and the National Party 33.9 per cent., compared with 68.6 per cent. and 31.4 per cent. at the General Election. In the second of the by-elections the Labour Party received 56.2 per cent. and the National Party 43.8 per cent. of the votes, compared with 56.9 per cent. and 43.1 per cent. respectively in November 1946. By-elections in New Zealand, as elsewhere, are, of course, notoriously unreliable guides. In New Zealand at the moment, however, they may be less unreliable than at other times, since the electors on both sides realise that each by-election in a seat previously held by the Government, in the present state of parties in the House of Representatives, might determine the fate of the Government. The loss of a single seat would reduce the Government's majority, after providing the Speaker, to one, and it is difficult to imagine that the Government would find it possible to carry on on that basis for any length of time. It may, therefore, be fair to conclude from these by-election results that there has been a further slight recession in the popularity of the Government with the electors since November 1946, though it can hardly be described as a striking recession. If so, this recession has probably been, in the main, due to a feeling on the part of the electors that the Government has not been as strong in dealing with the extremists in the industrial movement as it ought to be. Confirmatory evidence of this interpretation may perhaps be found in the fact that the recession in the Labour vote at the second of the two by-elections was less than



at the first. The Industrial Conciliation and Arbitration Amendment Bill, which made it look as though the Government was at last determined to take a stand against the use of the strike threat by the industrial unions, had been introduced between the by-elections and was under debate at the time of the polling in the second.

17. As was reported from this post at the time a remarkable feature of the results of the New Zealand General Election at the end of last year was the evenness of the division of the European vote between the two parties. Out of a total of 1,010,778 European votes cast, the Government received a majority of only 18,590 votes. A very slight percentage turnover at the next General Election would mean that the Government would lose its majority. Since the General Election there have been only two by-elections, both in safe Labour seats. (A third is pending, also in a safe Labour seat). In the first of these two by-elections the Labour Party received 60.1 per cent. of the votes cast and the National Party 37.9 per cent., compared with 68.8 per cent. and 31.4 per cent. at the General Election. In the second of the by-elections the Labour Party received 58.2 per cent. and the National Party 41.8 per cent. of the votes, compared with 56.9 per cent. and 43.1 per cent. respectively in November 1946. By-elections in New Zealand are of course notoriously unreliable guides to the general mood of the country at the moment, but in New Zealand at the moment, however, they may be less unreliable than at other times, since the electors on both sides realise that each by-election is a seat previously held by the Government, in the present state of parties in the House of Representatives might determine the fate of the Government. The loss of a single seat would reduce the Government's majority, after providing the speaker to one, and it is difficult to imagine that the Government would find it possible to carry on on that basis for any length of time. It may therefore be fair to conclude from these by-election results that there has been a further slight recession in the popularity of the Government with the electors since November 1946, though it can hardly be described as a striking recession. Also, this recession has probably been in the main due to a feeling on the part of the electors that the Government has not been as strong in dealing with the extremists in the industrial movement as it ought to be. Considerable evidence of this interpretation may perhaps be found in the fact that the recession in the Labour vote at the second of the two by-elections was less than

18. I am sending a copy of this despatch to the United Kingdom High Commissioners in Ottawa, Canberra and Pretoria, the United Kingdom Representative in Dublin and the Governor and High Commissioner at Suva.

I have, &c.  
N. E. COSTAR.

sort of a Communist revolution, and said that they themselves admitted that their action was political and not industrial. Why do these people, the Communists, polling a few hundred votes, try to create a discontent and a resort to direct action? It is because they don't belong to the New Zealand Labour Movement. No doubt as a result of this forthright attack the Waterside Workers' Union delegates alone of the delegates to the Labour Party Conference voted against the motion of confidence in the Prime Minister moved at the conference. This vote in itself, however, shows that inside his own party Mr. Fraser's supremacy remains unchallenged except by the recognisably Communist Waterside Workers' Union. Either in the same month the annual election had been held for executive positions in the New Zealand Federation of Labour, which as shown above occupies a key position between the Government and the militant unions. These resulted in only one important change. But though the result must on the whole be regarded as favourable to the Government, the one change was significant of the tendency of the Federation to backslide on the Government's price and wage stabilisation policy, which will have been apparent from what has been said above. For Mr. F. P. Walsh was defeated by one vote for the post of vice-president and Mr. Walsh more than any trade union leader in New Zealand is associated with the Government's stabilisation policy and indeed is chairman of the Stabilisation Commission. But if, on the whole, Ministers have maintained their position and practice in their own party the underlying spectacle of open division within the Labour Movement, the feeling that the movement has not made up its mind which of the two possible policies enunciated at the beginning of this despatch to follow and above all the growing belief that the Government often has to yield its own high principles of policy to the coercive expediency of threats of direct action from the Waterside Workers' Union or the Miners' Union, all these things have contributed to such further decline in the Government's popularity in the country as has occurred during the year. The Opposition themselves continue to fail to make the



## CHAPTER IV.—SOUTH AFRICA

W 892/9/68

No. 37

## LOCAL REACTIONS TO DECISIONS OF UNITED NATIONS GENERAL ASSEMBLY ON RACIAL POLICY OF SOUTH AFRICA

*Mr. Sedgwick to Viscount Addison. (Received in Dominions Office,  
2nd January, 1947)*

(No. 434)

Pretoria,

My Lord,

28th December, 1946

With reference to my telegram No. 549 summarising General Smuts's broadcast on his experiences during his recent absence abroad, I have the honour to transmit to you the full text<sup>(1)</sup> of the broadcast together with press reports<sup>(1)</sup> of two speeches which have since been made by the Prime Minister in Pretoria on the same subject. Before discussing these important speeches I shall attempt to assess the local reactions to the recent discussions and decisions at the United Nations General Assembly on the future of South-West Africa and the dispute between the Union and the Indian Governments over the treatment of Indians in this country.

2. The official Nationalist Party line, as laid down by Dr. Malan, is that General Smuts has fought well, but that he must accept responsibility for the present situation, having originally compromised the Union's position by accepting the Charter without consulting Parliament; that the time has come to consider seriously whether not to withdraw from the United Nations Organisation, which has become a danger to South Africa; and that the Union must firmly refuse to carry out the decision on the Indian question, the only possible solution of which is the mass repatriation of the Indians in this country.

3. Dr. Malan's relatively tender treatment of General Smuts, which gave rise to rumours that he was "toenadering" (making overtures) for a united front on the colour question, was promptly corrected by a personal attack on the Prime Minister by the *Transvaler*, the organ of the extreme wing of the Nationalist Party. Recalling that in the debates on the Union's ratification of the Charter, the Prime Minister had denied that this would give foreign countries a claim to interfere in the internal affairs of the Union, the paper declared that the Smuts' Government must resign to give place to a Nationalist Government. Otherwise the article merely elaborated the theme of Mr. Malan's statement, namely, that the United Nations

claim to interfere in the internal affairs of the Union must be resisted, if necessary, at the cost of withdrawing from that organisation, characteristically adding that England and the United States could be relied upon to protect the Union against any risk of sanctions, just as during the war a Nationalist Member of Parliament when publicly asked what he would do if Japan attacked South Africa replied that the British navy would not permit it.

4. An interesting side-light on Nationalist opinion is afforded by a speech in which Mr. Strydom, the joint leader of the Transvaal Nationalist Party, deplored that there should be "many people in the Union who, instead of holding up General Smuts to public contempt, were organising in his honour a campaign of incense-burning, and that some Afrikaners of Nationalist sympathies had been induced to participate." While too much should not be made of this admission, it confirms the reports current in Government circles that there is a tendency in the rank and file of the Nationalist Party to respect the Prime Minister for the fight which he put up for his country at Lake Success.

5. Little need be said of the attitude towards recent events of the minor Opposition parties. The Afrikaner Party, which is not much more than a shadow organisation for maintaining the name of Mr. Havenga before the public, has not at any time seriously questioned General Smuts's policy, and the party newspaper *Die Vaderland* found it possible to say, on the 19th November, that it preferred "a Field-Marshal Smuts fighting with bare fists against the ignorance and obstinacy of foreign representatives on behalf of South Africa's honour, to his rôle of loudspeaker for the British Empire." The *Oszewa Brandweg* has been busy with domestic affairs; it will perhaps suffice to quote the comment in the party newspaper of the 20th November: "As regards the incorporation of South-West Africa, we feel that this is a question between South Africa and Germany." The *New Order* (Mr. Pirow) made the suggestion on 13th

(<sup>1</sup>) Not printed.



December that General Smuts should resign and devote himself to the formation of a Government of all the talents, pledged to securing the continued existence of white civilisation. The Dominion Party has no recognised mouthpiece in the press; being centred in Natal it is presumably chiefly concerned with the Indian question and shares the uncompromising refusal of public opinion in that province to permit further concessions to the Indians. The Labour Party is split by internal divisions; the main body of the party is probably favourable in theory to some concession being made to overseas criticism of the Union's native policy, but Mr. Madeley's "New Labour Party" is founded on a rejection of all concessions to the Indians, including those made in the Asiatic Land Tenure and Indian Representation Act, 1946.

6. In contrast to Nationalist intransigence, the pro-Government press, while naturally maintaining that the Union's native and Indian policies had been misunderstood and misrepresented, has shown a tendency to admit that there is room for criticism and improvement. Thus the *Cape Times* has declared that the United Nations' condemnation of the Union's racial policy carries a clear moral lesson for South Africa. Pointing out that "South Africa had reaped what generations of reaction and illiberalism has sown," and that though "a great deal has been done in the past twenty-five years for natives it is still pathetically little," the article declared that the decision of U.N.O. is a challenge to complacency and called vaguely for "a new deal for the non-Europeans." A further significant indication of the trend of pro-Government public opinion is afforded by Mr. Arthur Barlow, M.P., who in his widely-read *Weekly* has come out in favour of the representation in Parliament of non-Europeans by non-Europeans as a means of restoring the confidence of the United Nations in South Africa. I understand that similar views were also expressed during the recent United Party Congress at Bloemfontein by several private members of Parliament, who during last session, when the Government, for their part, had been ready to accord this right to Indians in the Indian Bill, announced their determination to vote against any such proposal. The reason given for their conversion was they felt that anything would be better than the Raeners and Ballingers who were at present being sent by Africans and Indians to represent them in Parliament.

7. As against these signs of a readiness to consider some measure of liberalisation in racial policy, there are symptoms of a hardening of European opinion on the Indian question. Employers in Natal are said to be dispensing with the services of Indians wherever possible, and the United Party candidate for Zululand, one of the two constituencies in which by-elections are being held, is reported to have said at a meeting: "The solution of the Asiatic problem is so simple that many people fail to see it. Stop buying from the Indian before it is too late and he swallows you up." On the other hand, the day after the final vote in the Assembly on the Indian question the United Party headquarters received a telegram from their candidate in the Hottentots-Holland by-election, an agricultural constituency, warning them that he would lose the election unless the Government sanctioned an immediate increase in the price of eggs.

8. So far as non-European opinion is concerned, the effect of the Union Government's reverses at Lake Success has been to stiffen the attitude of Indian and African leaders. Commenting on the Prime Minister's speeches at Pretoria, the president of the South African Indian Congress has stated that: "If the whites cannot resign themselves to the idea of equality they have no place in Asia and Africa." On Africans the effect was to destroy any chance that the Native Representative Council, which had previously adjourned as a protest against the Union's racial policy, would accept the somewhat meagre olive branch tendered to them by the Acting Prime Minister on behalf of the Government. I am reporting separately on this development.

9. To sum up, the proceedings at Lake Success, by bringing home to South Africans the virtually unanimous disapproval with which their racial policy is regarded by other nations, have come as a severe and salutary shock to this country. The effect has been to break open the pressurised chamber of South African complacency, and to expose the man in the street for the first time to the atmosphere of the outside world. The response of the Nationalist leaders to this situation has been one of defiance and to nail the colour bar to their mast. How far do the speeches which the Prime Minister has delivered since his return to South Africa give any lead to his followers in what one of his colleagues has described as the most critical moment of South African history?

10. From this point of view the material points which emerge from the Prime



Minister's speeches seem to be as follows:—

(a) The Prime Minister appears to distinguish between those aspects of South African native policy which are generally described by the term "segregation" and aim at keeping different races apart as far as possible, and those which fall under the category of "colour bars" and aim at keeping non-Europeans down. The former he regards as not only justifiable but necessary in the interests of law and order and of the preservation of good relations between the various races, citing in support of his contention the cases of India and Palestine. So far as the Indian question is concerned the implication is that he will stand by the land and residential provisions of the Asiatic Land Tenure and Indian Representation Act, which was passed at the instance of Natal public opinion. In his own words: "I will stand by Natal as long as Natal will stand by me."

(b) In the case of the colour bar, on the other hand, while emphatically repudiating the principle of equality, the Prime Minister confessed that there were certain features of the present system which he could not defend. Everyone abroad knew, for example, that:—

"We are not allowed to train natives to build their own houses for their own occupation. That was flung at me in London and New York. What could I say? Nothing, because it is a fact."

And again—

"There is too much of the tendency in South Africa to look at a man's skin and judge him by that. . . . We have seriously to consider whether we are not going too far in that respect. Why treat all with a skin of a different colour on the same level, which is the bottom level in this country. A man with a different coloured skin, with qualities of leadership, high training and education, should not be accorded the position which is the lowest level of his colour."

(c) Finally, the Prime Minister warned his countrymen against the delusion that South Africa could afford to defy international opinion. Pointing out that at Lake Success "the

whole world was against you," he added significantly: "We have seen what has happened to Spain to-day, which is not a member of U.N.O. at all."

11. Since then Senator Shepstone, one of the Union delegates to the United Nations, has reinforced the Prime Minister's warning in a press statement, declaring that whatever criticisms might be made of the way in which the Indian question was handled by the Assembly, "there was no doubt that South Africa was felt to be out of step with the rest of the world, particularly with regard to her non-European policy"—that, "even by nations who supported the Union's amendment, our policy of racial discrimination was not defended and that we ran the risk of being regarded as an embryo Fascist State."

12. The implications of the foregoing paragraphs in the Prime Minister's speeches have not been lost on the Nationalist leaders, always on the alert for a threat to the sacred principle of "Baaskap" or white domination. In a New Year message General Kemp, M.P., and Mr. Strydom, M.P., the joint leaders of the Nationalist Party in the Transvaal, have declared that:—

"By taking the line that the grant of political rights in South Africa depends simply on a test of civilisation, and that so far as the United Party are concerned no question of colour bar arises, Smuts has definitely supported the policy of Hofmeyr, viz., that the colour bar will ultimately be abolished. . . . It is simply incredible that anyone who has read intelligently the speeches of Smuts and his fellow-delegates, and has noted the 'my dear child' business with the Indian woman who led the Indian delegation, can still have any doubt that Smuts, just like Hofmeyr, is a champion of the ultimate abolition of the colour bar in the political sphere. . . . (During the forthcoming session of Parliament) we shall compel him to declare in unequivocal language whether he will fight alongside for us for a white South Africa—where the white man shall be master—or whether he proposes to grant the vote to the non-Europeans in proportion as they reach the necessary level of civilisation."

Meanwhile the pro-Government press has preserved a discreet silence on the significance of these passages, which, forming as they do, a comparatively small portion of three lengthy speeches, seem so far to have



entirely escaped the attention of the English-speaking public.

13. I am sending copies of this despatch to the United Kingdom High Com-

missioners in Ottawa, Canberra and Wellington.

I have, &c.

R. R. SEDGWICK.

W 1036/9/68

No. 38

## SOUTH-WEST AFRICA, AND INDIANS IN THE UNION

(1)

*Mr. R. R. Sedgwick to Viscount Addison. (Received in Dominions Office 30th January)*

(Opdom No. 3. Saving)  
(Supplementary) *Cape Town,*  
(Telegraphic) *22nd January, 1947*

### Debate in Parliament on Nationalist Motion

On 21st January Dr. Malan, as Leader of the Opposition, moved in the House of Assembly a lengthy motion of which following is the substance:—

- (1) that the Union should refuse to make any agreement placing South-West Africa under the Trusteeship Council;
- (2) that South-West Africa should be given representation in both Houses of Parliament;
- (3) that there should be no discussion with the Government of India regarding Indians in the Union except with a view to arrangements for the removal from South Africa of its Indian population;
- (4) that the Asiatic Land Tenure and Indian Representation Act, 1946, should be amended so as to withdraw the right of representation given to Indians in Parliament; and
- (5) that a Joint Committee of both Houses of Parliament should be appointed to draw up a comprehensive colour policy for the Union based on segregation.

2. Dr. Malan's speech, which lasted for 90 minutes, was no more than an elaboration of his motion. He did, however, take the opportunity to make it clear—

- (a) that the Nationalist Party disapproved whole-heartedly of the Prime Minister's conduct of the Union's case at Lake Success, and
- (b) that his party would await developments before definitely proposing that the Union should withdraw from the United Nations.

3. The Prime Minister in his reply accepted Dr. Malan's point (1) and as regards (3) and (4) in effect repeated Senator Clarkson's statement that the Asiatic Land Tenure and Indian Representation Act would be maintained. He ignored Malan's point (2) and as for (5) declared his general acceptance of the principles laid down by the Hertzog legislation of 1936, subject to certain improvements which might be necessary to meet changing circumstances.

4. As regards South-West Africa General Smuts emphasised that the Union had a duty towards the inhabitants, both European and non-European, who had expressed their desire for incorporation; it was impossible for the Union Government to submit a draft agreement ignoring the wishes of the people of South-West Africa. He was "a little afraid of the Trusteeship Council." Reports on the administration of the territory would, however, be made available not only to U.N.O. but to any country in the world. The Union Government would report back to the United Nations in the foregoing sense.

5. As for the Indian question it had been impossible to get any definite statement at the United Nations Assembly of what agreement South Africa had broken or what terms of the United Nations Charter had been violated. The Union's case had been decided not on legal but on emotional grounds and he felt that as other countries came to realise the danger involved in the United Nations' decision regarding Indians resident here the Union might hope on future occasions to receive more support for her attitude. Meanwhile the Asiatic Land Tenure and Indian Representation Act must stand; steps, however, would be taken to ensure that the health, housing, educational and other



facilities of Indians in Natal were adequately safeguarded.

6. As for the native policy of the Union, it would be fatal to scrap the Hertzog policy adopted almost unanimously ten years before, though new problems had arisen, particularly that of natives in the urban areas. The Prime Minister made particular reference to the coloured population in the Cape, describing them as an "in-between nation," whose interests were closer to those of the European section than any other—segregation for the coloureds in the circumstances would make things worse.

7. Dr. Malan's speech had been heard almost uninterrupted but there were repeated interjections by Nationalists during the Prime Minister's reply. In particular he was asked whether he endorsed Mr. Hofmeyr's view that natives would eventually have to be represented in Parliament by natives and Indians by Indians. The Prime Minister described this as a personal expression of opinion which need not necessarily be that of the party to which the individual making it belonged.

W 1037/9/68

(2)

*Sir E. Baring to Viscount Addison. (Received in Dominions Office  
4th February)*

(Opdom No. 4. Saving)  
(Supplementary) Cape Town,  
(Telegraphic) 29th January, 1947

### Parliamentary Debate

The debate on Dr. Malan's motion came to an end at 2.20 a.m. on 25th January with the adoption of the United Party amendment which expressed approval of the Prime Minister's stand at Lake Success and of his policy with regard to the non-European community.

2. A feature of the debate was a powerful speech by Mr. Hofmeyr. After effectively refuting Nationalist distortion of his well-known views on parliamentary representation of non-Europeans, which have been systematically misrepresented as extending to abolition of all colour bars, he pointed out that the logical implication of the Nationalist attitude was that all non-Europeans, including coloureds, should be deprived of any form of political representation.

3. Mr. Madeley, the ex-leader of the Labour Party, supported Dr. Malan's

### Indians in the Union

8. The Passive Resistance Council in reply to Mr. Pather have stated that there can be no suspension of the Passive Resistance struggle at this stage. Such a step would be a retreat on the part of the Indian community when it should be on the offensive.

9. The president of the Natal Indian Congress has stated that a franchise with the qualifications suggested by Mr. Barns would not be acceptable to the Indian people.

10. It is reported that Dr. Naicker and Dr. Dadoo, presidents of the Natal and Transvaal Indian Congresses respectively, will probably leave for India on 9th February to hold consultations with Indian leaders there.

### India

11. There has been some gratification on the decision of the All-India Schedule Castes Federation to seek the intervention of the United Nations on behalf of India's untouchables.

motion in an anti-Indian speech worthy of any Nationalist. The remains of the old Labour Party supported the United Party.

4. Nationalist tactics during the debate and before have apparently been aimed at driving a wedge between the Left and Right wings of the United Party on the colour issue.

### Union's Relations with India

5. An official report states that the Union is closing its Trade Commissioner's office in India, as from 31st December last.

6. In reply to a question in the House of Assembly, the Prime Minister stated that the Indian High Commissioner in the Union had been recalled for consultation, and that his office was being maintained with a staff of six.

7. India's sanctions against the Union have caused a severe shortage of grain bags. It has been reported that a £500,000 jute project, with an annual production capacity of from 10 to 15 million bags, is to be started on the Rand. The undertaking is said to have the backing of the Department of Commerce and Industries.



### Indians in the Union

8. There are reports from the Transvaal of a widespread boycott of Indian traders on the platteland. Mr. Wolmarans, M.P. (United Party), has been mentioned several times in connexion with the boycott, but it is apparently not being organised by either the United Party or the Nationalists.

9. The Natal Municipal Association has now met and passed a resolution approving "the broad principle of granting the Indians a voice in the administration of municipal affairs, provided that the terms and conditions on which this is effected be discussed with and accepted by the Association."

### Overseas Opinion of the Union

10. There has been some indignation over articles in United Kingdom papers criticising the Union. In particular the *Economist's* article "Smuts puts back the clock" has been described by the *Cape Times* as revealing a "supreme ignorance of South African conditions." On the other hand Mr. Ivor Thomas's remarks on the United Kingdom's attitude to the Union at a public meeting in Keighley have brought a tribute from the *Bloemfontein Friend* to the "calm, judicial attitude taken up by the representatives of the British Government."

UN 1485/123/78

No. 39

## INDIANS IN THE UNION OF SOUTH AFRICA

*Sir E. Machtig to Sir E. Baring (Capetown). Received in Foreign Office,  
28th February*

*Downing Street,*

Dear Baring, 22nd February, 1947

I enclose, for your information, a copy of a note by Cockram, who was in the United Kingdom Delegation to the United Nations Assembly at New York, on the discussions there about the Indian complaint against South Africa.

I also enclose a copy of a confidential note by Cockram commenting on the proceedings.

Copies are being sent also to High Commissioners in the other Dominions and India.

I have, &c.

ERIC MACHTIG.

Enclosure 1 in No. 39

*United Nations Organisation Assembly,  
New York, October-December, 1946*

### INDIANS IN THE UNION OF SOUTH AFRICA

*Comments by Mr. B. Cockram, Dominions  
Office Adviser in the United Kingdom  
Delegation*

The dispute between India and South Africa over the treatment of Indians in the Union took up much more of the Assembly's time than it need have done. This was due to several factors. It was a dispute over the treatment accorded to a coloured people by a white people, and the emotions which such a dispute engenders were deliberately exacerbated by the

Indian delegation in order to rally to their side not only all the "coloured" delegations, but, as many of the remainder as could be influenced by the cry that it was the Nazi doctrine of the "herren-volk" which lay behind the South African legislation to which they objected. It raised the question of the exact meaning of a clause of the Charter, the drafting of which at San Francisco had been the result of a compromise between two points of view, that which would give the United Nations the right to intervene to protect minorities everywhere and that which would enshrine the sovereignty of each member in matters of domestic jurisdiction. And finally, it raised squarely the issue whether the Assembly had the right to interpret the Charter or whether this was the function of the International Court.

2. Unfortunately for the various British Commonwealth delegations the dispute was not only one between two of them, and the first which had ever been "aired" before an international tribunal in this fashion, but also an interpretation of a clause for the final drafting of which they had collectively shared the major responsibility and which represented a compromise between the views which they themselves held. None of the other British Commonwealth delegations wished to express any opinion on the merits of the case or to side with either India or South Africa, but all of them were obliged to define their positions in the course of the



debate. The United Kingdom, in particular, was brought into the position of a protagonist as the result of the tactics of the Indian delegation in seeking to gain additional sympathy by treating the question almost as a continuation of the struggle of the Indian people for nationhood, in which the implication was that at every turn they were thwarted by British imperialism.

3. Unfortunately also for the United States delegation the issue could readily be over-simplified into repetition of the old struggle between the Northern and Southern States in which the latter had stood for just these views on States' rights and white superiority which the Union appeared to be defending, and had appealed to the Constitution in just the same way in which the Union was appealing to the Charter. This old apple of discord was made the more unpalatable by the fact that behind the Union stood the old enemy, the United Kingdom, against which both Northern and Southern States had a century earlier united to fight for their freedom. It was the ability of the Indian delegation to appeal to the sentiments which Lincoln and Washington embody for the American people which helped to account for the intense interest taken by both press and public in the dispute.

4. But the dispute was a godsend to the Soviet delegation and they showed from the start that they intended to make the most of it. They were able to put on the mantle of righteousness for they could claim that there was no racial discrimination within the Soviet Union. They could utilise the dispute to influence the Assembly to intervene to protect minorities in other States (and so to establish a precedent for intervention which might be useful to Russia later) while they themselves would always deny to others any right of intervention within the U.S.S.R. on the ground that there were no distinctions there of race or class and no discrimination as between nationalities. And by championing the Indian claim, they could go some way to win the friendship of the new Government of India, to regain some of the goodwill which they had once enjoyed among the coloured peoples, and, incidentally, weaken the British Commonwealth by attacking one of its weakest members at its most vulnerable point.

5. In these circumstances, the objectives of the United Kingdom delegation were to avoid being drawn into any debate on the merits or demerits of the Indian complaint, to argue that since the Union

had questioned the competence of the Assembly, under article 2 (7), to hear the complaint, this legal question should first be settled, and to use its best endeavours, behind the scenes, to urge moderation on both parties. These hopes of limiting the scope of the discussion at the Assembly, and of minimising the inevitable adverse effects were alike disappointed. The Assembly referred the dispute to its First (Political) and Sixth (Legal) Committees jointly, and the debates not only excited the greatest interest among both delegates and public, but were conducted in an atmosphere charged with excitement, as the result of emotional appeals made most skilfully by the leader of the Indian delegation, Mrs. Pandit. The effect was most obvious in the final debate in the Assembly when, after twenty-nine countries had registered their view, in spite of an appeal by the Indian delegation, that the matter was so grave that a two-thirds majority was required for any resolution to be adopted, and twenty-one countries had voted that an advisory opinion as to the scope of article 2 (7) ought first to be sought from the International Court of Justice, only fifteen were to be found opposing a resolution which in effect condemned the Union out of hand, and called upon its Government to report to the next Assembly what steps it had taken to remedy the situation of the Indians in its territories. For the reason mentioned in paragraph 2, the United Kingdom was forced to appear almost as a protagonist. And the tactics of the Indian delegation made the prospects of a negotiated settlement far less favourable at the end of the Assembly than they were at the beginning. They had refused all compromise and had used every weapon to score a success. The South African delegation for their part had striven to exercise moderation, and Field-Marshal Smuts had refused to be moved from the legal ground on which he had objected to the complaint (though he had at once agreed to request the Assembly to seek the advice of the International Court of Justice upon his objection). But since he had denied the competence of the Assembly to hear the complaint, and the Assembly had rejected his appeal to seek an advisory opinion, he was in the end placed in the position of flatly opposing its recommendations. Strong national feeling had meanwhile been aroused in South Africa and the Field-Marshal has subsequently announced in Parliament that his Government will maintain the legislation which was the cause of the complaint.



6. The Russians, on the other hand, undoubtedly scored a success. They were publicly thanked by the new Government of India and by the Indian delegation for their support and their attitude made a deep impression on the Indian delegation. Soviet support was instrumental in securing that the complaint was considered jointly by the Political and Legal Committees, instead of first by the Legal Committees, and, the Ukrainian chairman of the First Committee was equally instrumental in arranging that the vote in the Joint Committee was taken on the Indian complaint and not on the South African appeal to the International Court. They undoubtedly strengthened the belief among the coloured peoples of the world that they alone of the major white countries could be relied upon to support them on a racial issue, and they created a precedent for intervention by United Nations Organisation in the affairs of a member country at the instigation of a third party. On the other hand, their policy of stimulating the Assembly to ignore Permanent Court and to constitute itself the sole judge of the scope of the Charter may well recoil upon them in future debates over the use of the veto, as indeed it did to some extent at the present session.

7. So far as the remainder of the delegations were concerned, the debates were as already stated, characterised by a degree of irresponsibility which bodes ill for the future. The Assembly was ready, as the New Zealand representative remarked, to decide on two or three days' debate, a complaint, the facts of which needed most careful examination by experts on the spot and the legal basis of which was more than doubtful. The obvious delight with which a number of delegates seized upon the first opportunity to place a white Government in the dock could perhaps be understood, but it was difficult to condone the applause from both the delegates and the public galleries which greeted every jibe at the United Kingdom and the British Commonwealth, but for whom, as the Attorney-General pointed out sharply, the Indian delegation would not have been in New York to argue the case or the delegations of many other countries to hear them. It was, moreover, obvious that the votes of many delegations were influenced by considerations entirely irrelevant to the dispute. To mention but a few: the Mexican delegation defended the rights of Indians in South Africa by lengthy references to the injustices done by the Spaniards in the past to the

"Indians" of Mexico; the Turkish delegation, because of its fear of Russian intervention in Turkey and in the Straits in particular, dissociated itself from the other Middle Eastern countries which supported India. The Slav States, one after another, manifested the most vocal but obviously artificial indignation at the "Nazi" mentality inherent in the existing régime in South Africa. And El Salvador and the Argentine fought the battle for Franco in the streets of Durban.

8. The vote itself was, as the Attorney-General pointed out, calculated only to make both parties to the dispute more unyielding, to exacerbate racial antagonism in South Africa, and to do serious harm to the position of the Indians there. The resolution finally adopted by the Assembly not only makes it certain that the dispute must be debated over again next year, but that the Assembly will find itself once again without any authoritative legal opinion as to its own competence to discuss it, and, it is difficult to see what credit the present Assembly can claim for such an achievement.

*Washington,*

*21st January, 1947.*

Enclosure 2 in No. 39

*United Nations Organisation Assembly,  
New York, October-December 1946*

INDIANS IN THE UNION OF SOUTH AFRICA

*Note by Mr. B. Cockram, Dominions Office  
Adviser in the United Kingdom  
Delegation*

The complaint of the Government of India about the treatment of Indians in the Union of South Africa was not only debated at length in the Assembly and its committees, but aroused as great interest as any other question discussed at the second part of the first Assembly. The delegations of almost all the countries represented considered it necessary to indicate their views.

2. At the very beginning it was necessary to decide which committee should consider the complaint. Committee 1, the Political and Security Committee, was concerned in that the complaint was made on the ground that the treatment of the Indians was a breach of international agreements between the two Governments, and had led first to deterioration and later to interruption of relations between them. But the Union Government contended that the complaint should not be heard by the Assembly since



it was excluded by article 2 (7) of the Charter as being one of domestic jurisdiction, and thus was a question for the Legal Committee if for any committee at all. The South African delegation therefore took the first opportunity to object, in the General Committee (on which South Africa was represented since Field-Marshal Smuts was one of the vice-presidents of the Assembly), to the inclusion of the item on the agenda, since it dealt not with Indian nationals in the Union but with Indians who were nationals of the Union. The Indian representative, Mr. Justice Chagla, at once made it quite clear that the Indian complaint did deal with all those of Indian race in the Union, but he declared that there had been a breach of an international agreement, that the dispute had resulted in a state of economic warfare between India and the Union, and that it was therefore a proper subject of consideration by the Assembly and by the Political Committee. He was strongly supported by the representatives of the Ukraine, China, France and Syria. The Attorney-General intervened to make it clear that, without reference to the merits of the case, it was the view of the United Kingdom Government that the claim of the Union Government that the complaint was *ultra vires* should first be settled. A resolution that the Assembly should refer the item to Committees 1 and 6 was carried by 5 votes to 3 with two abstentions, and a proposal that the Assembly should be advised to refer it to a joint session of the two committees was rejected by 4 votes to 3. Subsequently the Indian and South African delegations, in order to avoid what threatened to be a lengthy and necessarily inconclusive debate in the Assembly, agreed that the matter should be referred to the two committees jointly.

3. Mrs. Pandit opened the debate in the joint committee on 21st November on behalf of the Indian delegation by referring to documents circulated by the Indian delegation which, she alleged, proved that the Indian settlers had migrated to Natal under pledges from the Governments both of England and Natal, and that the policy of successive South African Governments, particularly since the Union, had been one of increasing discrimination culminating in the "Pegging" Act of 1943 and the "Ghetto" Act of 1946. This discrimination had been contrary to agreements between the Governments of India and South Africa at Cape Town in 1927 and in 1932, which had been formally ratified by the two countries and announced in their legislatures, and was a violation of the

fundamental principles of the Charter and of the human rights mentioned in the preamble to it which Field-Marshal Smuts himself had drafted. In consequence, the High Commissioner for India had been recalled from South Africa, trade relations had been interrupted and a passive resistance movement had been organised which together constituted a serious deterioration in international relations. The issue was therefore not legal but political, and it should not be decided by insistence on some narrow concept of domestic jurisdiction. She concluded with a quotation from a speech by Field-Marshal Smuts, who had described pre-Cape Town Agreement proposals for discrimination as a "firebrand thrown into a haystack." And she concluded by moving the following resolution:—

"The General Assembly, having taken note of the application made by the Government of India regarding the treatment of Indians in the Union of South Africa and having considered the matter, is of the opinion that:—

"(a) The Union Government's discriminatory treatment of Asiatics in general, and Indians in particular, on the grounds of their race, constitutes a denial of human rights and fundamental freedom and is contrary to the Charter.

"(b) The Union Government's policy in general and enactment of the Asiatic Land Tenure and Indian Representation Act, 1946, in particular, have impaired friendly relations between the two member States, and, unless a satisfactory settlement is arrived at immediately, these relations are likely to be further impaired.

"The General Assembly therefore considers that the Union Government should revise their general policy, and their legislative and administrative measures affecting Asiatics in South Africa, so as to bring them into conformity with the principles and purposes of the Charter and request the Union Government to report at the next session of the General Assembly the action taken by them in this behalf."

Mrs. Pandit was supported by the representatives of the Ukraine, Byelo-Russia, Yugoslavia, China, Guatemala, Egypt and Persia.

4. At the first meeting of the joint committees, the South African delegation proposed that the question of the applicability of article 2 (7) should be referred to the



International Court of Justice for an impartial decision, and Field-Marshal Smuts restricted his opening speech to a careful examination of the legal and juridical questions involved and of their importance to the future of the United Nations. "The broad issue raised by this request is whether this Assembly will assume jurisdiction to enquire into the manner in which a national or racial minority of foreign extraction within the territory of a member State is affected by the administration of purely internal and local matters within that territory by that State. The way in which this issue is solved will not merely have its repercussions for the Union of South Africa to-day. Other States, great and small, may be faced with it to-morrow and may, if it is to be answered in favour of the jurisdiction of the United Nations, find their position in this organisation impossible and intolerable."

5. Mr. Justice Chagla replied to the Field-Marshal on behalf of the Indian delegation on the 25th November. He drew attention to the facts that the Indians "went to South Africa at the urgent, pressing and importunate request of the South African Government" and as the result of "a mutual agreement between the Government of South Africa and the Government of India. They were to be treated on equal terms with the white settlers and to enjoy the same rights of citizenship," and he quoted, in proof of his thesis, a speech of Mr. Hofmeyr, the Deputy Prime Minister of the Union, who had said as recently as March 1946: "I do not see how we can blame the Government of India for seeking to discharge that (their) responsibility as long as we withhold from our local Indians the opportunity of stating their own case here in Parliament"; and again, "The plain truth, whether we like it or not, is that the dominant mentality is a herrenvolk mentality." He sarcastically thanked the Field-Marshal for allowing the Indians to exist in ghettos in South Africa, but the Field-Marshal could not expect to limit human rights to the mere right to exist. Even if the Cape Town Agreement was only an honourable understanding, he asked whether such an understanding was any less binding? If article 2 (7) was to be construed as the South African Government desired, the Charter was a scrap of paper. The important word was "essentially" and this must have been intended to cover the human rights provisions of the preamble and the statement of purposes in the Charter. Finally, he urged that the

political considerations so far out-weighed the legal that the Assembly ought to decide for itself and not refer the question to the I.C.J.

6. Mr. St. Laurent, leader of the Canadian delegation, drew attention to the fact that the joint committee had been requested to consider the legal as well as the political aspects of the Indian complaint. The Indian resolution called upon the South African Government to revise its entire Asiatic policy and to report to the next Assembly what it had done. The South African delegation had not sought to restrict debate, but had asked for a ruling on article 2 (7) of the Charter by the International Court of Justice. That article ought not to be so construed as to render nugatory other provisions of the Charter and, in particular, that respect for human rights with regard to race which article 1 had declared to be a purpose of the United Nations, and the Canadian delegation supported a previous United Kingdom request that the Human Rights Commission get down to business as soon as possible. But article 2 (7) could only be eliminated by amending the Charter. It might be given restrictive interpretation, but it could not be disregarded and there must be a decision whether the Indian request was within its scope. It was a type of question familiar to lawyers who had to deal with Federal constitutions where there was always a twilight zone in which boundaries of national and local jurisdictions were not clear. It could not be seriously contended that the joint committee was better suited to give a decision than was the International Court. The Canadian delegation wanted to see the court and all the judicial functions of the United Nations Organisation emphasised as much as possible in order to increase respect for international law. The Canadian delegation therefore supported the proposal made by Field-Marshal Smuts.

7. The Attorney-General then spoke on behalf of the United Kingdom. He explained that since this was a dispute between two members of the British Commonwealth, the United Kingdom would have preferred to take no part in it, and had hoped that those two members would have come together to find some solution without reference to the United Nations Organisation. Important matters of principle were involved which went far beyond the Indian-South African dispute, and, if handled wrongly, harm might easily be done to the future development of the United Nations. If the Indian case were



well founded, reference to the International Court of Justice would, in the end, best serve the interests of the Indian people, since a judicial solution was always more acceptable to the nation against whom it was given than a political solution. Unless the matter were very much simplified it could not be objectively investigated by a mass meeting of 108 delegates. The question of domestic jurisdiction could not be ignored, and it was important to make sure that any action was within the Charter. It was important to decide whether the matter was excluded from the competence of the United Nations Organisation by article 2 (7), and, if not, whether it involved any denial of some human right or fundamental freedom which the United Nations were bound to respect. The United Nations was not yet a world parliament. The members were sovereign States and the purpose of article 2 (7) was to prevent the organisation interfering, whether by positive action or passive criticism, in matters domestic in character. If the United Nations could interfere in such a matter, they ought to realise where they were going. Freedom of speech and freedom of the press were not recognised everywhere, and he asked whether there was liberty of the subject in a police State. The Indian complaint was that "the fundamental right of every individual to own and purchase property wherever he likes" had been infringed. But was that a right recognised by all member Governments? It was wrong that human life and human liberties were too lightly regarded in many countries, but it was equally wrong for those matters to be dealt with *ex post facto* and made the subject of *ad hoc* political decisions. It would be wiser to trust the court to decide, and meanwhile to proceed to define those rights and freedoms which every Government ought to accord to its citizens. They should complete at once the Human Rights Commission in order that the commission might present an International Bill of Human Rights to the next Assembly in the form of a draft convention.

8. The United States representative supported the request for reference to the International Court whether or not on the facts of the case an international obligation existed. The Security Council had been advised by article 36 of the Charter to take into consideration that legal disputes should, as a general rule, be referred by the parties to the International Court, and, if this were true of the more serious questions expected to come before the Security Council, due account should be taken of it by the Assembly in such a case

as present. He supported reference to the court for four reasons:—

"(a) South African Government had proposed it, the court was already organised, and it could give expeditious consideration.

"(b) The appeal was to the rule of law.

"(c) If the court held the question to be international in character the Indians in South Africa might be helped, but a decision by another body might always be held by the Union Government to be *ultra vires*.

"(d) If the court decided that the question was not one of an international character, it would have to be assumed that its reasons were convincing."

He therefore appealed to the Indian delegation to consider whether this matter, ordinarily one of domestic jurisdiction but, by its own peculiar history, one of international relations, could not be referred to the International Court. The French representative regretted the dispute, which was painful to all those who were indebted to both parties in the fight for victory in the war. Since 1789 there had been no racial discrimination in France and the French delegation could not accept the contention that commitments of no matter what form between Governments were not international juridical acts. And Mr. Heaton Nicholls concluded the day's debate with a detailed statement of the past and present position of the Indians in Natal (as distinct from the legal points made by Field-Marshal Smuts at the previous meeting of the Joint Committee).

9. The discussion was continued on 26th November. The representatives of Turkey, the Netherlands, Sweden, Honduras, Ecuador and Brazil supported the proposal that an advisory opinion should be sought from the International Court.

The Mexican, Philippine, Haytian and Venezuelan representatives claimed that the question was one of human rights and racial equality and that the United Nations would be judged by their conduct in the present appeal.

10. Mrs. Pandit, speaking again for India argued that if Natal belonged to anyone it belonged to "the barbaric indigenous population" from whom the whites had seized it. At that time the British were building an empire over which it was said that the sun never set, but which, fortunately for the world, was now in process of liquidation. The record of the Natal and Union Governments towards the Indians had been one of



increasing discrimination. Even where legislation purported to be non-discriminatory, discretion was often left to Ministers and heads of departments who would never dream of exercising it in favour of Indians. If Europeans were allowed to have their way in South Africa, the Indians there would become a land-less peasantry excluded from all skilled occupations, to the end that they should become a reserve of unskilled labour for the mines and farms.

11. M. Gromyko said that the South African attitude was not a proper one, nor were the arguments of the South African delegation convincing. Racial discrimination existed and was increasing. Economic and political relations between India and South Africa had been disrupted, and the Assembly should recommend measures for a peaceful solution under articles 10 and 14 of the Charter. The Soviet Government opposed reference to the International Court of Justice, since both the Charter and the statute of the court provided only that the court should express opinions on legal questions, and this question was political.

12. The meeting on 27th November was a brief one. The Belgian representative argued that the legal question should be settled first and confessed that he had been frightened at the rapidity with which certain delegations had made up their minds on the question at issue, before hearing either the Indian or South African statements. This argued a degree of irresponsibility which boded ill for the future. He was supported by the Peruvian representative, who also drew attention to the consequences to small States of overriding the provisions of article 2 (7) of the Charter. They lacked the veto with which to defend themselves, and it behoved them to see that it was not left to the Assembly to settle matters by a vote before every attempt had been made to make the legal position clear through reference to the International Court of Justice. The Colombian delegate also supported reference to the International Court of Justice, but in the form of an expanded resolution. The Uruguayan representative on the other hand, supported the view expressed previously by the French representative and recommended a delay which would enable the two countries concerned to get together.

The Norwegian representative considered that whenever a member sought an advisory opinion from the International Court of Justice on a matter especially concerning itself, the Assembly should

arrange for this opinion before attempting to take action.

13. The New Zealand representative disclaimed any intention of passing judgment on the merits of the Indian complaint since it would be extremely difficult for a committee to come to final conclusions after only two or three days' debate even had the question been purely political. Legal issues were, however, involved and must be settled first. He suggested that the *rapporteur* should define the precise legal issues, and supported the Canadian request that the International Court of Justice should be asked to express its opinion as to the scope of article 2 (7). The Australian representative considered that the distinction drawn between the political and legal aspects was somewhat unreal, and threw out the suggestion that more attention should be paid to the human rights position. The obligations imposed by articles 55, 56 and 2 (7) of the Charter all required interpretation, and some form of investigation would certainly be necessary, though at the present stage of debate, the Australian delegation were not wholly clear in their minds whether such investigation could best be undertaken by the International Court of Justice. He recommended that a sub-committee should be appointed to consolidate the various resolutions that had been proposed and to narrow down the issue.

14. The Attorney-General reviewed the existing situation in the committee. Opinion was closely divided and it was not in the interests of either India or South Africa that the matter should be disposed of by a very narrow majority vote. He asked whether it was not in the interests of the Indians concerned, as well as of the United Nations that they should, if possible, reach an unanimous conclusion which, without shelving the matter, might command respect from all. The Philippine delegate had suggested that the United Kingdom with all its experience had been unable to settle this dispute, but, on the contrary, the United Kingdom Government had neither been asked nor had sought to intervene in a matter which for years had been treated as one for settlement between the two nations concerned. He had studied the detailed statement by Mr. Heaton Nicholls and he would not go beyond saying that some of the facts appeared to be in dispute and some of the conclusions controversial. Equally he would not be provoked into controversy by Mrs. Pandit's reference to an empire in process of liquidation. In place



of that empire, had grown a free association of nations in the British Commonwealth which had enabled the Indians, and perhaps the rest of the world, to hear the Indian case that day, when, but for that Commonwealth, many of them might have been under a Nazi dictatorship. He hoped that the British Commonwealth would always stand for that toleration which was always talked about but which did not always obtain in their own countries. He pleaded that their object should not be to create dissension between members of the United Nations or doubts in the minds of many whether the United Nations Organisation was not usurping sovereignty over member States. Their object should be to break down the discrimination said to exist against Indians in the Union and to promote their welfare. They must remember that they might in the future, have to decide whether equality was to mean equality in freedom or in lack of freedom. If the court should decide in favour of the Indians, could there be any doubt that the court's decision would be and could be implemented by action in the Union Government? He, therefore, suggested that the Indian resolution should be amended by deletion of the words after "is of the opinion that," and the insertion of the words:—

"Since the jurisdiction of the organisation to deal with the application is denied and the facts on which it is based are not admitted and since the questions involved are consequently of a legal as well as of a factual nature, a decision based on authoritatively declared juridical foundations is the one most likely to promote realisation of those purposes of the Charter to the fulfilment of which all members of the organisation are pledged, as well as to secure a lasting and mutually acceptable solution of the complaints which have been made.

"The General Assembly, while deferring any final decision, therefore, resolves to seek an advisory opinion from the International Court in accordance with article 96 of the Charter upon the following point, namely, whether the Government of the Union of South Africa has neglected to observe any (and, if so, what) international obligation in regard to the treatment of Asiatics."

15. The debate was resumed on 28th November. The Chinese representative, while admitting the force of arguments for reference of the legal question to the International Court of Justice, stressed the

importance of a speedy decision. The Assembly could deal with the legal as well as the political aspects of the complaint. In either respect, unanimity was of the greatest importance and he proposed the appointment of a small sub-committee, which should include India and South Africa, with a view to their reaching agreement on the procedure for the settlement of the dispute. He moved an amendment to the French resolution to this effect, which was seconded by the Czechoslovak representative. The Argentine representative argued that, nevertheless, the implications of the Indian request were so vital that the matter should be referred to the International Court of Justice and supported a request for an advisory opinion which should be strictly limited to the meaning of article 2 (7). The Costa Rican representative also supported reference to the International Court of Justice. The Yugoslav representative, on the contrary, repeated his previous request for an immediate decision by the Assembly condemning racial discrimination. He was supported by the representative of Chile, who feared that a decision by the International Court of Justice in support of South Africa might only make compromise more difficult. He therefore recommended that the two parties get together, the South African Government meanwhile suspending the legislation which had led to the dispute. The Egyptian representative also opposed reference to the court.

16. The United States representative, both in the present case and for future guidance, argued that the competence of the Assembly was not in question, but that it had discretion to call upon the International Court of Justice to aid in the proper exercise of its authority. It was better for the solution both of the political and legal aspects not to make a decision on a possibly erroneous legal basis. The Assembly ought, therefore, first to ask the court to decide the legal issue and then itself to come to a decision on the whole. To use deliberate speed was "majestic instance." The representative of Guatemala also agreed to reference to the International Court of Justice. The United Kingdom representative pointed out that reference to the court would do no harm to human rights, since these would be safeguarded by the drafting of the Bill of Human Rights, which it was the policy of the United Kingdom, as of all of them, to get adopted quickly. On the other hand, the speeches had indicated that a vote on



the Indian resolution would show the committee to be hopelessly and evenly divided, and such a vote would settle nothing. It would be greeted with contempt in India and derision in South Africa. For their own credit, they ought to take the obvious course and refer the matter to the International Court of Justice. The representative of El Salvador strongly supported this proposal.

17. The United States, United Kingdom and Sweden at this stage proposed a revised and joint resolution, the text of which is as follows:—

“The General Assembly, having taken note of the application made by the Government of India regarding the treatment of Indians in the Union of South Africa and having considered the matter is of the opinion that, since the jurisdiction of the organisation to deal with the matter is denied and since the questions involved are consequently of a legal as well as of a factual nature, a decision based on authoritatively declared juridical foundations is the one most likely to promote realisation of those purposes of the Charter to the fulfilment of which all members of the organisation are pledged as well as to secure a lasting and mutually acceptable solution of the complaints which have been made.

“The Assembly therefore resolved that—

“The International Court of Justice is requested to give an advisory opinion on the question whether the matters referred to in the Indian application are, under article 2, paragraph 7, of the Charter, essentially within the domestic jurisdiction of the Union.”

Mrs. Pandit concluded the debate with a brief speech, in which she argued that South Africa had only been able to defend her position owing to the support of big countries, and instanced the United States in particular. She complimented the Attorney-General on prosecuting the Nazis at Nuremberg and then defending the same cause in New York.

18. The final meeting of the Joint Committee was held on the following day, and discussion was devoted entirely to questions of procedure.

Mrs. Pandit opened the discussion by explaining that the Indian resolution had been placed on the agenda to draw the attention of the world to the problem and to secure an expression of opinion from the Assembly. That opinion had been made

abundantly clear in the committee and, in a spirit of compromise, she therefore withdrew her resolution in favour of a resolution which had been submitted by the representatives of France and Mexico, and which would give an opportunity for the situation to be further examined before the next meeting of the Assembly, viz.:—

“The General Assembly, having taken note of the applications made by the Government of India regarding the treatment of Indians in the Union of South Africa, and having considered the matter:

“1. States that, because of that treatment, friendly relations between the two member States have been impaired, and unless a satisfactory settlement is reached, these relations are likely to be further impaired;

“2. Is of the opinion that the treatment of Indians in the Union should be in conformity with the international obligations under the agreements concluded between the two Governments, and the relevant provisions of the Charter:

“3. Therefore, requests the two Governments to report at the next session of the General Assembly the measures adopted to this effect.”

19. Field-Marshal Smuts pointed out that the South African Delegation had objected to the Indian request that the matter be considered by the Assembly because it was a matter of domestic jurisdiction. He could therefore not agree that there should be any form of international enquiry. He would, however, be quite ready to agree that a provision should be added to the draft request to the International Court of Justice which would authorise the court to visit, or send a commission to visit, South Africa, should it consider that such a visit would assist it in clearing up the legal question. This offer was rejected by the Indian representative, on the ground that it ignored the rôle of the Assembly and would drag the court into politics.

The voting was 24 in favour and 19 against, with 6 abstentions and 5 absentees. The majority included all the Asiatic and African countries other than the Union of South Africa and all the Slav States. The United Kingdom, Canada, Australia and South Africa voted against, as did the United States, the Western European countries other than France, the Scandinavian countries other than Denmark, and a number of Latin American countries which expressed an opinion. The New Zealand,



Danish and Turkish delegations abstained from voting.

20. The joint committee having indicated its opinion, the question reverted to the General Assembly where the South Africans resubmitted their amendment in the following terms:—

“The Delegation of the Union of South Africa submits for approval of the Assembly, the following amendment to the resolution adopted by the combined meeting of the First and Sixth Committees, on the treatment of Indians in the Union of South Africa.

“The General Assembly having taken note of the application made by the Government of India regarding the treatment of Indians in the Union of South Africa and having considered the matter, is of the opinion that, since the jurisdiction of the General Assembly to deal with the matter is in doubt and since the questions involved are consequently of a legal as well as of a factual nature, a decision based on authoritatively declared juridical foundations is the one most likely to promote realisation of those purposes of the Charter to the fulfilment of which all members of the organisation are pledged as well as to secure a lasting and mutually acceptable solution of the complaints which have been made.

“The Assembly therefore resolves that:

“The International Court of Justice is requested to give an advisory opinion on the question whether the matters referred to in the Indian application are, under article 2, paragraph 7 of the Charter, essentially within the domestic jurisdiction of the Union.”

Field-Marshal Smuts confined his speech to drawing attention to the fact that the Joint Committee's vote was by a minority of its members (24 out of 54), that South Africa's request for an advisory opinion had not been put to the vote, and that it was her right as a State to request from the Assembly the opportunity to go to the I.C.J. just as an ordinary individual could claim to go before a court in his own country.

21. The South African request was supported by the United States representative who pointed out that the committee's resolution stated that the Indians in South Africa ought to be treated in accordance with the international obligations of the Union and the provisions of the Charter. That prejudged the question whether there

were international obligations, and the Assembly ought first to give the opportunity for the matter to be argued by the parties before the court. Either the Assembly had or had not the right to intervene and this question should be settled first. Those in the Joint Committee who shared this opinion had been careful not to express views on the merits of the question, in order not to prejudge the court's decision, and the discussion in the committee had for this reason been one-sided. The Charter laid down this procedure for disputes likely to endanger the peace and requiring a decision by the Security Council, and it was the one likely to bring the greatest benefits to the Indians in the Union. The delegate of El Salvador expressed the view that the I.C.J. should have compulsory jurisdiction in all questions of racial discrimination and human rights in order to prevent article 2 (7) being used to negative the purposes of the Charter, but for this very reason he supported the amendment.

22. Mrs. Pandit drew attention to the fact that the resolution of the Joint Committee was not the original Indian resolution but a compromise suggested by France and Mexico. She spurned legal arguments. The issue was whether the existence of all non-European peoples was a threat to European standards of life. The alternative offered them was the ghetto. The Assembly was not a mere political forum, and she made a special appeal to the United Kingdom and “her Dominions,” other than South Africa, to live up to the resolutions they had accepted at the Imperial Conference of 1921 against discrimination against Indians within their territories. The present was a test case. The Chinese representative spoke in support of India, arguing that the question was essentially political, and had led to a rupture of relations and a suspension of trade, which it was to the interest of the United Nations to end as soon as possible. The Mexican representative denounced racial discrimination in South Africa, surveyed the history of the Red Indians in his country, and appealed for support for the Mexican resolution adopted by the Joint Committee.

The Attorney-General spoke briefly. He noted that every speaker had drawn attention to the seriousness and importance of the subject, both in itself and for the future of the organisation. If the Assembly were to ignore an appeal for a reference to the court, it would do far more harm to the United Nations than good to the Indians in South Africa.



Other speakers confined themselves largely to a repetition of the arguments which they had used in the Joint Committee.

23. The President (M. Spaak) raised the question whether under the Charter a two-thirds' majority was needed for the vote. The South African representative formally moved that it was, and pointed out that the requirements had been devised to protect minorities in the United Nations. The representative of India denied that the question was important within the meaning of article 18 of the Charter and argued that the list of questions in sub-paragraph (2) of that article ought not to be lightly increased. A lengthy discussion was ended by the President's suggestion that the Assembly should vote by simple majority whether it wished to vote by a two-thirds majority on the various proposals made in connexion with the India-South African dispute, and that the vote on the main issue should then be taken.

The voting was as follows:—

(a) On the question whether a two-thirds majority should be necessary on the votes on this question—

For	...	29
Against	...	24
Abstentions	...	1

The motion was carried.

(b) On the South African amendment—

For	...	21
Against	...	31
Abstentions	...	2

The amendment was defeated.

(c) On the resolution of the Joint Committee—

For	...	32
Against	...	15
Abstentions	...	7

and the motion was carried.

Washington,  
21st January, 1947.

W 4921/9/68

No. 40

## **SOUTH AFRICA: ROYAL VISIT TO CAPETOWN AND NEIGHBOURING DISTRICTS**

*Sir Evelyn Baring to Lord Addison. (Received in Dominions Office  
18th March, 1947)*

*Office of the High Commissioner*

(No. 58)

My Lord,

*for the United Kingdom,*

*Cape Town, 10th March, 1947*

I HAVE the honour to submit my impressions of the visit of Their Majesties The King and Queen and Their Royal Highnesses the Princess Elizabeth and the Princess Margaret to Cape Town and the neighbouring districts.

2. Fed by daily reports of life in H.M.S. *Vanguard* and by articles in the press about the private life of the Royal Family and their staff, public excitement had been mounting for at least a week before the arrival of the Royal Family, and on the evening of Sunday, 16th February, people were assembling in the streets to take up positions overnight from which the procession could be viewed the following morning.

3. There is no doubt that the most brilliant pageantry of the visit so far has been the arrival of H.M.S. *Vanguard* on the morning of Monday, 17th February. The day was brilliantly fine, with little of that south-east wind which blows so persistently over the Cape at this season, and in full view of thousands of spectators the battleship, having arrived off Cape Town at dawn, put in to the Duncan Dock at 9.30 a.m., the Royal Ensign at her mainmast, the Admiralty flag and the White Ensign flying at the foremast. After the Governor-General and the Prime Minister had boarded the ship and paid their respects the Royal Family disembarked and members of the Cabinet, the Diplomatic Corps, and the High Commissioners with their wives were presented. The only other persons presented on this occasion were the Chief of the General Staff and the Commander-in-chief, South Atlantic. It is a matter for some satisfaction that the Union Government should have agreed to recognise in this way the part played by the Royal Navy in bringing the Royal Family to the shores of this country.

4. The programme arranged for Cape Town was crowded, as indeed it is for the rest of the Union. On 17th February, The King immediately after the disembarkation received at Government House addresses of welcome from both



Houses of Parliament and took the opportunity to confer upon the Prime Minister the insignia of the Order of Merit. The Royal Family then took lunch at Westbrooke with the Governor-General and Mrs. van Zyl, and returned to Cape Town to receive the Diplomatic Corps, myself and the Canadian and Australian High Commissioners. In the evening there was a State banquet at which The King and Field-Marshal Smuts spoke.

5. On 18th February the Royal Family attended a function at the City Hall in the morning and immediately afterwards paid an impromptu visit to the National Botanic Gardens at Kirstenbosch. Here it so happened that a number of Nationalist Members of Parliament were found with their families enjoying a picnic; among them was Mr. Swart, a well-known "Young Turk" and extremist leader. The Prime Minister seized with glee the opportunity to present those in the immediate neighbourhood to The King and Queen. In the afternoon the Governor-General gave a garden party in the grounds of Westbrooke, attended by over 5,000 people, and in the evening there was a ball at the City Hall. On Wednesday, the 19th, the Royal Family drove to Simonstown, special arrangements being made to accommodate school children all along the 20-mile route, and they spent the afternoon at a race meeting at Kenilworth. In the evening another ball was given at the City Hall for the coloured community. From all accounts this was one of the most successful of all functions of the visit. Their Majesties stayed for some time and a number of prominent Malays and coloured persons were presented to them. On 20th February the Royal Family undertook a strenuous motor journey to Stellenbosch and Paarl and adjacent country districts. On the 21st His Majesty opened the new Session of Parliament in the morning, and the Royal Family departed by train in the afternoon.

6. Before the arrival of the Royal Family several letters had appeared in the press urging people to throw off their reserve and cheer the Royal procession when it drove through the streets of Cape Town from the dock. South African crowds are not generally given to cheering except at sporting events and many people had feared that the crowds would fail to show the enthusiasm they undoubtedly felt and remain silent as the Royal Family drove by. If the cheering was mild and somewhat sporadic when the Royal party landed, it warmed up as they drove through the streets of Cape Town and lusty cheers greeted them by the time they reached the top of Adderley Street. Though it is naturally impossible to make an exact estimate it seemed to many observers (including the editor of the Nationalist Party's one English paper, the *New Era*) that enthusiasm for the Royal Family increased during their stay in Cape Town. On the night of their arrival, the crowd which watched them drive to and from the State banquet was mildly curious. Later, on the evening of the civic banquet they received a great ovation both inside and outside the City Hall. On the third evening large crowds assembled outside the City Hall to await the Royal Party's appearance on the balcony and in their excitement broke through the barriers.

7. During the week which they spent here, the Royal Family was almost the sole topic of conversation in Cape Town, and Cape Town was charmed. Apart from the impressive arrival the highlights of the visit were the ceremonial opening of Parliament and the coloureds' ball. South Africans were particularly gratified by the personal presentation by His Majesty of the Order of Merit to General Smuts, and by The King's speech at the State banquet on the evening of his arrival, when he thanked the Union for its war effort and the hospitality extended to visiting troops. A pleasant feature of Their Majesties' stay in the Peninsula was the delight with which they were greeted in Paarl and Stellenbosch. These are two towns in the farming area an hour or two's run out of Cape Town where Nationalist sentiment is strong.

8. There has been a remarkable display of interest in all matters connected with the Royal visit, above all in H.M.S. *Vanguard*. During the week-end of the 22nd/23rd *Vanguard* was thrown open to the public. More than 17,000 people visited the battleship and many hundreds waiting to go on board had to be turned away. A display by Royal Marines from the ship on 25th February was watched by a large crowd.

9. The attitude of the Nationalist Party has aroused some interest. When it was first announced that the Royal Family would visit the Union, the Nationalists declared that, though they could not be expected to show any enthusiasm, they would treat the Royal party with that courtesy and respect which is peculiar to the Afrikaner. On the whole they have, with one or two slight lapses, maintained this attitude. Some weeks before the arrival of the Royal Family the Senate and the House of Assembly agreed unanimously that an address



of welcome from both Houses should be presented to His Majesty. At the presentation of these addresses on the morning of the 17th, however, only 11 Nationalist members of the House of Assembly out of a total of 46, and no Nationalist Senators, appeared. None of the Nationalist leaders was present. This incident has aroused some criticism and bewilderment. There has been no authoritative explanation of why the party did not either attend or abstain *en bloc*; it is understood that a party caucus decided that individuals might please themselves and Nationalists have attended what they regard as purely social functions at which the Royal Family have been present. It is reported in *Die Vaderland* that Mr. Strydom, leader of the Nationalist Party in the Transvaal, is the only Nationalist Member of Parliament who has consistently stayed away from all functions at which the Royal Family have been present. At the opening of Parliament he was seen in the lobby but did not follow the procession of other Members of Parliament into the Senate Hall.

10. It is often said that the core of the Nationalist Opposition consists of one big party; that this party presents a united front to the outside world but that it is in fact divided into two wings, one unrelenting in its hatred of the British connexion, the other consisting of persons who feel doubts about the wisdom of the party's present policy and have other aims than mere opposition to all things British. In the press *Die Transvaler* represents the more extreme wing, *Die Burger* to some extent the more moderate. The extremist groups—the Ossewa Brandwag, the New Order, the Greyshirts—differ from the party on method and on the view they take of the merits of parliamentary government but not on the establishment of a republic as the proper objective of the Afrikaner Volk. Their papers are *Die Ossewa Brandwag* and *Die Nuwe Orde*. The persons who were General Hertzog's personal followers, who supported him against Dr. Malan during the pre-war days of the fusion Government and against both General Smuts and Dr. Malan during the early days of the war when the Afrikaner Party was in existence, are on the opposite side of the Nationalist Party from the extremist groups. They co-operate with the Nationalists yet sometimes, without renouncing the republic as an objective, desire a more moderate policy than that of Dr. Malan. Their views are expressed in *Die Vaderland*.

11. I enclose a memorandum summarising press reactions to the Royal visit. So far as the papers supporting the Nationalist Opposition are concerned, the memorandum shows that three attitudes have been adopted, and that these attitudes reflect fairly well the political divisions mentioned. First *Die Transvaler*, *Die Ossewa Brandwag* and *Die Nuwe Orde* have either ignored the visit or written abusive articles. Secondly, at the other end of the scale, *Die Vaderland* has moved from a cautious article written before the arrival of the Royal Family on the lines mentioned in paragraph 9 to enthusiastic praise of the Queen and criticism of the Nationalist Party for inconsistency. Thirdly, *Die Burger* started by the adoption of a correct but cold attitude; with their traditional sense of hospitality Afrikaners would welcome the Royal Family; but no enthusiasm for the monarchy must be expected; the extravagances of the English press and General Smuts's hope to gain votes from the visit were both to be deplored. From the point of view of a follower of Dr. Malan this was sound editorial policy. Recently however some articles have become more acid and less subtle. It is just possible that the change may have been due to the success of the Cape Town visit having exceeded *Die Burger's* expectations; but this may be wishful thinking.

12. The non-Europeans, including Indians, joined in the welcome to the Royal Family in Cape Town. The move on the part of the Indian passive resistance movement to organise a boycott of the Royal visit to Durban appears to have failed, and there is a strong body of Indian opinion throughout the country which is opposing all suggestion of a boycott. A meeting of natives in Bloemfontein at the beginning of February decided not to welcome the Royal Family; a spokesman stated that "the only natives who see the King will be those who will be working and those who will be in handcuffs. That will be good as the King will see the natives in their usual surroundings—the slaves of the land." In the Eastern Province (of the Cape) large crowds of Africans have, however, given an enthusiastic welcome to the Royal party.

13. It is too early yet to judge the deeper effects of the Royal visit on the people of South Africa. But it is safe to say that the visit to the Cape was a very great success. Before the Royal Family arrived papers supporting the Government gave no more than restrained and rather official publicity to the coming visit. By the end of the first day in Cape Town they could write of little and publish photographs of nothing else. On the first day the Royal



Family were given a good reception by the crowd. Before they left Cape Town they were received with real enthusiasm wherever they went.

14. The first reference to the visit after the departure of the Royal Family from Cape Town was made by General Smuts with his usual sense of place and of timing. Instead of a speech on some official occasion he made this reference when speaking on 23rd February to an audience composed mainly of young South Africans—according to press estimates it numbered 1,000—on the top of Table Mountain during the annual memorial service. He said: "The effect of his (The King's) arrival is already evident throughout the country; there is more gentleness, more unity apparent . . . all over the country The King, by his bearing and spiritual qualities is having a healing and soothing effect. Because of it we are being given the right perspective. Because of this I must pay tribute to the Royal Family for what they are doing for us."

15. Copies of this despatch are being sent to the United Kingdom High Commissioners in Ottawa, Canberra and Wellington, and to the United Kingdom representative in Dublin.

I have, &c.

E. BARING, *High Commissioner.*

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Enclosure in No. 40

*Press Reactions*

There have been some complaints on the part of visiting journalists that inadequate facilities for reporting were accorded the press. There has been, however, no dearth of news in the papers about the Royal tour. Since the *Vanguard* left Southampton, full reports of the activities of the Royal Family have appeared daily in the press. On 17th and 18th February reports and photos of the arrival almost entirely filled pro-Government papers, and since then the functions which the Royal Family attended have been fully described in the leading papers throughout the Union and for about a week after the arrival, were given the main headlines in the Cape papers.

The enthusiasm with which the Royal Family was greeted was reflected in pro-Government press comment and letters to the papers. Editorials of welcome appeared in all the pro-Government papers of the 17th, and several papers devoted leaders to the Royal visit on two and three successive days. The King was welcomed for his position as head of the State and the whole Royal Family were welcomed as people, many papers paying tribute to them for enduring the hardships of war with the British people.

Throughout the visit *Die Burger's* reporting has been fair though reports have not been accorded the space and prominence which they were given in pro-Government papers. Both *Die Burger* and *Die Volksblad* have been at pains to refer disapprovingly to the mingling of Europeans and non-Europeans in the crowds which greeted the Royal Family in Cape Town, and they have also laid stress on the amount of money and trouble involved in arrangements for the Royal visitors.

The week before the arrival of the Royal Family, *Die Burger* showed keen interest in the United Kingdom fuel crisis, and on the morning of 15th February published on its front page a report alleging that the visit might be cut short because of the serious situation in Britain. The prestige of The King, said the report, would be greatly increased were he to forego his South African tour in order to be with his people in this hour of crisis. On 17th February *Die Burger's* two main news items dealt with the United Kingdom fuel crisis, and reports in connexion with the Royal visit were lower down on the front page and on the second page. On 20th February a report from the paper's London correspondent published on the front page stated that there was little publicity for the Royal visit in the English papers, and ascribed this to the fact that "every reminder of royal pleasures and even sunshine hurts and must rather be withheld." The report went on to allege that the popularity of the Royal Family was suffering since it was based on the fact that The King remained in the palace during the war years to endure the bombing with his people.

*Die Burger's* Saturday columnist on 22nd February went out of his way to gibe at The King's pronouncement of an Afrikaans sentence spoken at the opening of Parliament but there has been no other indication in the press that the Nationalists intend to depart from their line of polite studied indifference.



*Die Transvaler* has made no mention of the Royal Family's arrival in its news columns. On 17th February an editorial warned the "Government press" not to make too much Empire propaganda out of the visit, and since then the Royal visit has been mentioned in passing only two or three times.

*Die Transvaler's* policy is probably ill-advised since Afrikaans speaking people in the Transvaal wanting to know something at any rate of the Royal visit, are likely to read instead *Die Vaderland*, the mouthpiece of the Afrikaner Party which has given full and fair reports. An editorial of welcome in that paper on the 17th said that South Africa was proud of her status of equality with the United Kingdom and must hold in esteem The King of South Africa. It would be unseemly for anyone to make propaganda out of the visit, but both Royalists and Republicans should show good manners. On 21st February large headlines announced that the Queen had stolen the public's heart. The report said that there was great enthusiasm at the Cape for the Royal Family remarking that the Queen was everyone's favourite and that "her smile has a big psychological effect on her admirers and a crowd of people who saw her said she smiled as though she were laughing with each one individually." The following day *Die Vaderland's* political correspondent reported that the Nationalists by absenting themselves from the presentation of the address of welcome were ignoring the Status Act; The King remained King of South Africa until such time as these acts were repealed. The political correspondent of *Die Vaderland* considered that the Nationalist attitude was foolish from a political point of view—the Nationalists were attempting to capture English-speaking voters yet had not taken sentiment into account. He concluded that the Royal visit had had a tremendous effect on English-speaking South Africans and that the Nationalist leaders had done nothing to neutralise this.

*Die Kruithoring (Powderhorn)*, the Nationalists' fortnightly, which is written for the true-believer only, is less reserved. "With a tarantara and some boom-booms the 24-carat Royal safari has departed on its tour of the Union"—so begins this paper's leading article on 26th February in which the writer goes on to say frankly that the only question arising out of the Royal visit with which he is concerned is what will be its effect on Nationalist prospects at the next election. On this he comes to the comforting conclusion that whereas the Nationalist faithful remain unmoved by the visit, any benefit which the United Party may have received from it is far outweighed by the disappointment of those of the party's supporters who failed to get invitations to the various functions, or were not presented if they did get invitations, and by irritation felt on the part of those who were inconvenienced by traffic dislocation or who continue to suffer from food shortages, &c. (for which the Government are to be held solely responsible). The Romans knew better, says the writer; they gave the people bread as well as circuses.

The Ossewa Brandwag has marked the occasion of the Royal visit with appeals to all Africaners to make a special effort on Majuba Day, 27th February, the anniversary of the British defeat in 1881. In the last few issues *Die Ossewa Brandwag* has listed its grievances against the monarchy ("the symbol of our subjugation") and has stated that the "British King" after his tour through "conquered territory" will be able to report to his Government in London that the fires of freedom still burn in South Africa. This week's issue, referring to the fact that Nationalists had been present at functions in honour of the Royal Family, says that "Republican South Africa last week suffered one of its greatest humiliations." On the 19th the paper had announced with great pride that a prominent member of the Ossewa Brandwag had refused to allow the Royal Family to picnic on his farm. The next day, however, the *Cape Argus* and *Die Burger* reported that "General" Marsh, the leader of the Ossewa Brandwag in Paarl, had stated that he had been completely captured by the gracious simplicity of the Royal Family, adding that now that he had met Their Majesties he would personally like to ask them to stay there. This report has naturally caused some embarrassment to the "General" who has hastened to explain that these remarks were his own views made in a private conversation, adding that he had asked for suspension from the Ossewa Brandwag pending their acceptance of his explanation.

The reaction of *Die Nuwe Orde* to the Royal visit is not known and there has been no comment from the party's paper.



UN 2938/123/78

No. 41

## THE ATTITUDE OF THE UNION GOVERNMENT TO THE UNITED NATIONS RESOLUTIONS ON THE FUTURE STATUS OF SOUTH-WEST AFRICA AND ON THE TREATMENT OF INDIANS IN THE UNION OF SOUTH AFRICA

*Note by Sir E. Baring, United Kingdom High Commissioner in the Union of South Africa; Received in Dominions Office, 25th March*

General Smuts's influence, experience and reputation are so great that other members of his Cabinet are unlikely successfully to oppose any suggestions he may make to meet the situation created by the passing at the United Nations of two resolutions hostile to South Africa. Yet the South African voter is an emotional creature. His actions are unpredictable and a general election next year is inevitable. General Smuts is therefore far from free to act as he wishes. The nature of the proposals he will make to his colleagues will probably depend on the reactions of the public to the United Nations decisions and more generally on the state of party politics in the Union.

2. The reactions of public opinion have been described in reports from this post. Briefly, the ordinary South African is both pained and surprised. The resolutions hurt the pride of a sensitive race and shocked the complacency of a people distant from the scene of the disasters of recent years and borne along on a wave of material prosperity. In official circles the failure on the South-West African issue was anticipated, though the extent of the opposition was underrated. The efforts of the Government of India were, however, expected to fail though it was realised that during the debates on the question of the treatment of South African Indians the Union would be sharply criticised. The general public were equally surprised by both resolutions.

3. After the news was received, South Africans, without much hesitation, supported the action adopted by the Prime Minister. Dr. Malan no doubt urged the Union Government to leave the United Nations. But the divergence of opinion was not great. The Nationalists' view found no wide support. There was general agreement on the wisdom of the refusal of General Smuts to place South-West Africa under the Trusteeship Council and to discuss the merits or demerits of the Government's Indian policy with any other Government or with any international organisation.

4. The political results of the growth of these feelings are considerable. Some are evident at the moment, but those of a long-term nature cannot easily be assessed.

5. It may be argued with some show of reason that eventually the effect on South African political life will be good. There is already plenty of evidence to support the view that after a few years the treatment of their darker compatriots by white South Africans will improve; and this day may be brought nearer by the United Nations resolutions. Indeed, even now white South Africans, described as "liberal" on questions of colour, claim that those who doubt the wisdom of the present attitude of the ruling race have been confirmed in their doubts and, now that the United Nations has published its views, are speaking in firmer and more confident tones.

6. All the same, the immediate results noticeable in South African politics are bad. The following are probably the most important:—

(i) Europeans, other than "Liberals," have become more obstinately attached than ever to what Mr. Hofmeyr has described as the technique of domination. Their attitude is said to be particularly noticeable in Natal. Proof of the strength of their feelings was given this month in the violent, and unfortunately the successful, opposition of the Natal Municipal Association and of Natal Europeans generally to a draft ordinance prepared by the Administrator of Natal and designed to give Indians in that province the right to vote on a communal roll for not more than two Indian members in each local authority. Action to extend a limited municipal and local authority franchise in Natal to Indians was left to the Provincial Council by last year's Asiatic Land Tenure and Indian Representation Act. The clear intention of the legislature was that such action should be taken. Yet Natal Europeans now vehemently dissent.

(ii) Among non-Europeans the extremist elements have been strengthened. An example is the behaviour of the members of the Natives' Representative Council, a



central advisory body of elected Africans sitting at Pretoria. Recently the councillors, accusing the Government of repeated rejection of their recommendations and of neglect of their proceedings, refused to continue their deliberations. Mr. Hofmeyr and others have informed me that shortly before the publication of the United Nations resolutions, members of this African council were about to resume their debates. The moment the news of the resolutions broke they reverted to an attitude of non-cooperation.

7. Both sides on the colour issue have thus been confirmed in their views. But in the South Africa of 1947 the illiberal side still represents the greater number of votes. The future may lie with the "Liberals." They are gaining ground in the towns, in the universities, among many young South Africans and particularly among ex-servicemen. But voters in two important classes apparently remain but little touched by the new and the Liberal ideas. These are the farmers and the European skilled manual workers. Two recent events illustrate this attitude. First, trade union leaders recently called on trade unionists to refuse to co-operate in the pathetically small Government scheme for the training of only just over 200 African ex-soldiers to do skilled work in building houses for other Africans in return for a minimum wage below the present European level but above the general rates for Africans. Secondly, farmers in the Transvaal, and in a less organised way in Natal, are busy with arrangements for a boycott of all Indian shops.

8. It is therefore not surprising that the Liberal views which at present are often to be heard in conversation with urban South Africans and to be read in the columns of most English newspapers seldom find expression in the action of Members of Parliament. The Representation chapter of the 1946 Asiatic Act, which conferred voting rights on Indians, was attacked by all the Nationalist and Dominion Party members and by some Labour Members of Parliament. The Land Tenure chapter, which restricted the rights of Indians to own or occupy land, was said to have been privately criticised as 'too harsh' by certain United Party members. The number who waited on the Prime Minister with arguments of this nature was only twelve, and there are eighty-nine United Party members in the present House of Assembly.

9. The reactions of the public have found expression in the general state of politics. During recent months there have been three notable political developments:—

(i) Feeling among most white South Africans and among nearly all Members of Parliament has risen against those "Liberals" who appear to have damaged their country's interests during the United Nations session. Senator Basner (elected by Transvaal Africans) has been fiercely attacked for the active help he gave the Indian delegation in New York. The two Ballingers—Mrs. Ballinger is one of the three members who was returned to the House of Assembly by Cape Provincial Africans voting on a communal roll—have been sharply criticised for their recent visit to India and the speeches made by them in that country.

(ii) The Government suffered a surprising by-election reverse. The Nationalists gained Hottentots Holland, a rural seat near Cape Town, from a strong United Party candidate.

(iii) The rising sound and fury of the Nationalist campaign for next year's general election is giving most members of the Government some anxious moments. In this campaign programme republicanism, the British connexion and General Smuts as "the lackey of the British" are not often mentioned. Instead the spotlight is turned on the danger from the non-Europeans—from Indians in Natal, from non-European voters of all sorts in the Western Province of the Cape, from Africans elsewhere—and on Mr. Hofmeyr's liberal ideas on all questions of colour. This alarms members of the Government who remember that in 1929 General Hertzog stampeded the country with the "black manifesto," which declared that if native voters remained on the communal roll of the Cape Province they would soon outnumber the Europeans.

10. Some at least of the Prime Minister's political advisers believe that the most important of several reasons for the Hottentots Holland reverse was the success of the anti-Hofmeyr, anti-colour campaign of the Nationalists; and that this success may be repeated in other rural constituencies where most voters are Afrikaans-speaking. This may or may not be true. But there is no doubt both that the Government feel that the position of the United Party has weakened during the last few months and that this weakening may be due to the effect of the "colour" cam-



paign started by the Nationalists at the time of last year's Indian debates and increased in intensity when the news of the United Nations resolutions was received. It follows that the Government will probably for the moment be nervous of accusations of surrender to "Liberal propaganda." This, perhaps, is an explanation of General Smuts's statements in Parliament concerning the two resolutions which, if ill received abroad, were well received at home. A Nationalist victory would certainly—as far as anything is certain in South African politics—be followed by a more and not a less uncompromising attitude to the United Nations and to demands for help for non-Europeans in South Africa.

11. In discussing General Smuts's actions two influences now being exerted upon him must be remembered. One is the flip given by the United Nations resolutions to obstinate extremism among those on both sides in the great South African debate on the treatment of non-Europeans. The other is the deterioration of the election prospects of the United Party, due perhaps to Nationalist propaganda on the colour issue.

12. The position as regards South-West Africa is depressing but fairly clear. General Smuts has clearly announced that he will not submit proposals for a Trusteeship Agreement; and this announcement has received general support in the newspapers of both languages and of both leading parties. I cannot imagine that either he or any other South African Prime Minister will be able to recede from this position in the near future.

13. The Administrator of South-West Africa, in a recent speech, summarised the reasons. He said that South-West Africa was a poor and backward country, that there was but little prospect of mining or industrial or any very great agricultural developments. The territory is and would remain incapable of supporting itself. A territory dependent on a neighbouring country could not become independent. Independence is the ultimate goal of all territories controlled by the Trusteeship Council: therefore for South-West Africa the position of a State under that Council was unsuitable. Such, for what it is worth, is the argument. The real explanation is, perhaps, that partly from defence fears, partly from the dread, however unfounded, of non-European immigration and partly from feelings of national prestige, most South Africans are determined to control South-West Africa in full sovereignty.

14. The general view is that there is no prospect of an alteration of policy. For the time being the Union Government will probably continue the existing administrative arrangements in South-West Africa, that is, an administrator with executive and legislative councils and a separate budget which includes some items of revenue not controlled by provincial councils in the Union. Over a period of years the Union Government may attempt gradually to draw South-West Africa closer to the Union. Thus they would probably provide representation in Parliament at Cape Town for South-West Africa and then would greatly increase the sums of money voted for development—and especially native development—in South-West Africa, and move towards integration of the economies of the two countries.

15. The position in respect of South African Indians is less devoid of any prospect of acquiescence in the United Nations resolution but far more complicated. The following are, I suggest the important facts:—

(i) Feeling among Natal Europeans and, to some extent, among Europeans in the Transvaal also, has seldom been more inflamed against the Indians. One illustration is the violently anti-Indian line taken by the Natal *Daily News*, a paper belonging to the Argus group, and the Argus papers are usually accused of sitting on the fence. A second is the fate of the administrator's proposals, mentioned in paragraph 6 (i) of this note, to carry out the undoubted wishes of the Union Parliament by extending a limited municipal vote to the Indians. These were rejected by 30 votes to 6 at a meeting of the Natal Municipal Association and by 15,000 to 1,600 in round figures at a referendum in Durban at which 37 per cent. of the electorate voted.

(ii) Many other Europeans are incensed at the abusive references to South Africa made by representatives of the Government of India and by other leading Indians. They are surprised and pained at the wording of the United Nations resolutions. Yet some at least realise that at some time and in some way representatives of the Union and of India must come together and talk. But while they may will the end they do not always will the means.

(iii) The South African Indian community is, as usual, divided. The young Communists, recently elected to the Executive Committee of the Natal Indian Congress at a mass meeting in Durban,



wish to keep the two Governments apart. The Moderates desire the resumption of negotiations. It is sometimes said that these Moderates represent the merchants, mainly Muslims, and the extremists the manual workers, mainly Hindus. But, in fact, the Moderates are not all either Moslems or merchants. They are representative of a large body of opinion. Indeed, outside Durban and Pietermaritzburg they may now voice the views of the majority of Indians.

(iv) Meanwhile the Indian community is suffering severely from:—

(a) A boycott by Europeans of Indian shops. In the Transvaal this has become an organised movement. Local vigilance committees have been created and a provincial and all-party conference on the methods of boycott is contemplated. These practices appear to be spreading to at least two Natal towns. In Natal Indian trade is more with natives and less with Europeans than in the Transvaal. As long as controls are in force a complete boycott is difficult, but they may soon be removed. At present the estimate is that Indian shopkeepers in Natal have lost from 10 per cent. to 15 per cent. of their turnover.

(b) Building societies and lenders generally, other than banks, are refusing to advance money to Indians on the security of land or of house property. Apart from any questions of ill-will, they will probably continue to do this until the position arising from the Bill has been clarified.

(c) The economic "war" with India has led to a loss of trade by Indians in commerce. Thus in three ways Indian merchants and shopkeepers are being severely hit.

(d) The Indian factory worker is no happier. Gradual replacement of Indians (who can join registered trade unions, sit on industrial councils and who rank as "employees" in terms of the Industrial Conciliation Act) by Africans (who are not "employees" and can therefore do none of these things) continues. In recent months the Durban City Council has replaced many Indians by Africans and the figure for Indian unemployed in Durban has more than doubled since the end of 1945, while that for European unemployment is almost non-existent.

(e) Very gradually more and more South African Indians in Natal are becoming frightened. Evidence of this is to be found in the decline of two movements initiated by the extremists. One is the boycott of the Royal Tour; and this has practically

collapsed. The other is the passive resistance movement; and the law is now defied once a week instead of nightly. The result is a gradual move back towards the moderate leaders and an increasing willingness to see the resumption of negotiations between the two Governments. It does not, however, follow that any renewal of contact between those Governments will escape a storm of abuse from the more extreme South African Indians.

16. In South Africa, therefore, many persons, both European and Indian, desire to see negotiations resumed. Yet to do so is difficult. The Nationalists and the extreme section in Natal on the one side, and the Natal Indian Congress on the other, remain obstacles. The Union Government may say "we will negotiate but not until the Government of India lifts the economic sanctions which they have imposed." The Government of India in their turn may say, as they have said already, "we will lift sanctions and negotiate, but only if the Union Government first suspends the operation of the 1946 Act." The result will be a complete *impasse*.

17. It would clearly be of advantage that the two Governments should negotiate, whatever the method adopted. Equally clearly, no meeting can be arranged if first a precise and detailed agenda must be prepared and amending legislation in the Union is made a prerequisite to any negotiation. As has been mentioned, the political position of the present Union Government is none too strong; the popular cry at the moment in Natal, echoed by the Nationalists, is "No monkeying with the 1946 Act."

18. All the same, there are favourable factors. The Europeans who wish to see negotiations resumed include Senator Shepstone, of Natal, and Mr. Mitchell, the Administrator of Natal, a most energetic man and a strong candidate for Cabinet rank. But it is the South African Indians who might possibly persuade the Government of India to change their attitude.

19. There is no doubt that General Smuts realises the great importance of opening some form of negotiations with India before the United Nations meets again. Mr. Hofmeyr, however, told me the morning after the result of the Durban municipal franchise referendum was announced that he despaired of opening negotiations before September, and was particularly nervous of Nationalist reactions even to the return of Mr



Deshmukh, the Indian High Commissioner. All the same, General Smuts is in favour of Mr. Deshmukh's return. Should this take place, and should the Government of India at a later date declare that they would raise their economic sanctions provided that South Africa would open some form of negotiations, then, so I am informed, General Smuts might well give the proposal a qualified acceptance. He would possibly refuse to participate in a formal round-table conference on the 1926 model, but he might well arrange a conference with those South African Indian organisations willing to co-operate and allow, perhaps, two representatives of the Government of India to attend. These might be publicly described as observers, but by private arrangement reached between the two Governments act in fact as negotiators. In any case, once talks start, such is the low calibre of the local Indians that two men sent from India would be almost bound to play a leading part. The great difficulty is that the atmosphere is still extremely bad, and has been bad since the better feelings which had arisen after the Cape Town Agreement of 1927 were destroyed by the abuse aimed at South Africa when the Durban Pegging Act was passed in 1943.

20. In these circumstances what can the United Kingdom Government do? I think the answer is, "Not very much." A discreet hint to the Government of India concerning Mr. Deshmukh's return might be considered; in South Africa we might make known to General Smuts our hope for the resumption of negotiations; should the Government of India make a real step forward and, for example, offer to raise economic sanctions if the Union Government would in some manner negotiate direct with them, we might urge General Smuts very strongly to accept. But any progress would only be made step by step. Once either side begins to look too far ahead the situation appears insoluble and everything comes to a halt.

21. The next step is, I think, the return of Mr. Deshmukh. Two difficulties must, however, be overcome. The first is the fear of some Cabinet Ministers of opposition from the Nationalists and from Natal. The second is suspicion among Indians that Natal Europeans, and in particular the Natal *Daily News*, might hail Mr. Deshmukh's return as a surrender by the Government of India. Neither of these should prove to be insuperable.

17th March, 1947.

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No. 42

### POLITICAL SITUATION IN SOUTH AFRICA

*Sir E. Baring to Sir E. Machtig. (Received in Dominions Office, 14th May)*

Cape Town,

6th May, 1947

My dear Machtig,

No sensible person attempts to make confidential statements concerning the future course of Union party politics. South Africans divide politically less on what they think of economic matters or other affairs of State than on what they feel about the British connexion. As changes in people's feelings are more difficult to foretell than those in their reasoned opinions, so the nature and size of a movement of votes are perhaps more difficult to assess in South Africa than elsewhere. All that can be done is to say that on present indications this or that will, if there is no sudden shift of opinion, occur at the next general election; but sudden shifts of South African opinion are far from rare.

2. With this in mind I feel that a despatch on the present state of party

politics is not justified, but I also feel that you should be informed of recent trends.

3. Last October the United Party appeared to be in a strong position. The Dominion Party was moribund. The Labour Party had split on the Asiatic Land Tenure and Indian Representation Bill; and in the municipal elections on the Rand and in Durban—their two main strongholds—they lost many seats. The Nationalists were suffering a loss of prestige following the Allied victory. They failed to prevent United Party victories at parliamentary by-elections in Cape Town and in a rural Cape Province seat, and at two Transvaal Provincial Council by-elections.

4. During recent months the position of the United Party has, however, sharply deteriorated. Some think that the loss of position is temporary, others are less sanguine. But no one denies the fall in the